

# 17

ANNUAL REPORT

# 18



# TRADE & INVESTMENT KWAZULU- NATAL'S GENERAL INFORMATION

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**REGISTERED NAME:** Trade & Investment KwaZulu-Natal

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AFS	Annual Financial Statements
AG	Auditor-General
APP	Annual Performance Plan
ASB	Accounting Standards Board
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BPO	Business Process Outsourcing
BREU	Business Retention and Expansion Unit
BRICS	Brazil, Russia, India, China and South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DDI	Domestic Direct Investment
DIRCO	Department of International Relations and Co-operation
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DTP	Dube TradePort
EAP	Employee Assistance Programme
EDTEA	Economic Development, Tourism and Environmental Affairs
EDPU	Export Promotion and Development Unit
EIA	Environmental Impact Assessment
ESID	Effective States and Inclusive Development
EU	European Union
FDE	Finance Director Europe
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Practice
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
ICT	Information Communications Technology
IDZ	Industrial Development Zone
IEH	Industrial Economic Hub
IGRAP	Interpretations of the Standards of Generally Recognised Accounting Practice
IPA	Investment Promotion Agency

IPAP2	Industrial Action Policy Plan 2
IT	Information Technology
JSE	Johannesburg Stock Exchange
KM	Knowledge Management
KZN	KwaZulu-Natal
MCU	Marketing and Communications Unit
MEC	Member of the Executive Council
MOU	Memorandum of Understanding
MPL	Member of Provincial Legislature
MSc	Masters of Science
NDP	National Development Plan
NGP	National Growth Plan
PAA	Public Audit Act
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PGDS	Provincial Growth and Development Strategy
PhD	Doctor of Philosophy
(PTY) LTD	Proprietary Limited
PUM	Programma Uitzending Managers
RBIDZ	Richards Bay Industrial Development Zone
SA	South Africa
SADC	Southern African Development Community
SAITEX	South African International Trade Exhibition
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEZ	Special Economic Zone
TAF	Technical Assistance Fund
TIKZN	Trade & Investment KwaZulu-Natal
TKZN	Tourism KwaZulu-Natal
TOR	Terms of Reference
UNCTAD	United Nations Conference for Trade and Development



# GENERAL INFORMATION

Trade & Investment KwaZulu-Natal is a Schedule 3C Public Entity and operates in terms of the Trade & Investment KwaZulu-Natal Act, Act no. 5 of 2010.

01	MEC's Foreword
02	Chairperson's Statement
03	Chief Executive Officer's Review
04	Statement of Responsibility and Confirmation of Accuracy of the Annual Report
05	Strategic Overview
06	Legislative and Other Mandates
07	Organisational Structure
08	Management Structure

# 01

## MEC'S FOREWORD



**MR S ZIKALALA, MPL**  
MEC FOR ECONOMIC DEVELOPMENT,  
TOURISM AND ENVIRONMENTAL AFFAIRS

The Government of KwaZulu-Natal is committed to creating conditions necessary to grow the economy and allow business to expand, thrive and create jobs in our Province. As part of this commitment,

we place more focus on promoting foreign and domestic investment which have great potential in supporting the priorities of Government whilst building a stronger and rebalanced economy.

**KWAZULU-NATAL IS SOUTH AFRICA'S SECOND LARGEST PROVINCIAL ECONOMY, CONTRIBUTING ALMOST A FIFTH TO THE COUNTRY'S GDP.**

Through Trade & Investment KwaZulu-Natal, we have continued to work tirelessly to make KwaZulu-Natal the best place in the world for starting and growing business. The competition in the global market continues to grow and we have worked hard to further strengthen our position in the global Foreign Direct Investment market. In line with global economic performance, we have seen a positive outlook on the South African economy.

Global economic growth prospects have been improving, increasing by 3,6% in 2017, compared with 3,2% in 2016, making 2017 the first year since 2010 in which actual growth outperformed

projected growth. The modest upturn in global growth is expected to continue into 2018, with a projected growth of 3,8%, driven by expansions in developing, emerging and developed countries alike. In South Africa a positive economic outlook, driven by improving business and consumer confidence, saw expected growth rate being revised up to 1,8% in 2018.

### **KWAZULU-NATAL'S ECONOMIC REVIEW AND OUTLOOK**

KwaZulu-Natal is expected to grow in the region of 4,5% in 2018, having grown by 4,2% in 2017. There is a need to ensure the positive growth outlook equally translates to the labour market, which has remained depressed with 26,7% of working age South Africans being unemployed by the end of 2017, and 24,1% of KwaZulu-Natal residents. KwaZulu-Natal is South Africa's second largest Provincial economy, contributing almost a fifth to the country's Gross Domestic Product. Pleasingly, Provincial economic growth here has also consistently exceeded national average rates, signalling the region's continued and growing relevance, as well as its remarkable resilience.

Since its inception, Trade & Investment KwaZulu-Natal has upheld its mandate, which - in essence - is to prioritise and enhance trade and investment. This intense focus has seen the Province benefit in terms of reputation, growth and strategic value;



continuing to become an even more vital component of the South African economy and that of the African continent as a whole. KwaZulu-Natal unquestionably remains a dynamic economic contributor to the National Gross Domestic Product and is a showcase for capability in innovation, transformation and sustainable investment.

The Provincial Government of KwaZulu-Natal has long-recognised this and has re-affirmed its commitment to the provision of trade and logistics support services to Provincial economic role-players in the quest to further

appreciably strengthen the local economy's international competitiveness and, by so doing, spurring new infrastructural development and generating additional permanent employment opportunities.

During the past years, efforts have been made at both Provincial and National levels to permanently overcome bottlenecks affecting the efficient attraction of inward investment. In KwaZulu-Natal, our goal is to ensure that this Province becomes the primary investment destination of choice. This goal has received a considerable boost,



EMPLOYMENT-DRIVEN INDUSTRIAL GROWTH BUILDS SUSTAINABLE INDUSTRIES, COMMUNITIES AND SOCIETIES AND THE GOVERNMENT, THROUGH TRADE & INVESTMENT KWAZULU-NATAL, IS INTENT ON CONTINUING OUR COMMITMENT TO RADICAL ECONOMIC TRANSFORMATION AND INDUSTRIALISATION. ”

with the recent launch of a Provincial One-Stop-Shop for investors. This facility acts as a single point of contact for investors to interface with various Government agencies and departments and to simplify the process for various approvals.

It will greatly assist in unlocking KwaZulu-Natal's massive economic growth potential and advance Government's commitment to attract foreign direct investment to the Province.

Our business development entity, Trade & Investment KwaZulu-Natal is, in our estimation, the ideal platform for the delivery of such support, given that the agency's mandate is to identify, develop and package existing investment opportunities within the Province, to promote the Province as a leading international investment destination, maintain and expand existing trade activities

and to retain current local and foreign investment, whilst simultaneously facilitating business expansion.

Employment-driven industrial growth builds sustainable industries, communities and societies and the Government, through Trade & Investment KwaZulu-Natal, is intent on continuing our commitment to radical economic transformation and industrialisation. In this regard, inclusive growth means that Black people will no longer be relegated to labour status forever, rather many have the opportunity to become investors.

Inclusive growth - if it is to have real meaning in our country - must, therefore, be seen to embrace the need to increase the participation of Black people in every aspect of the business environment, inclusive of taking on the mantle of entrepreneurs, shareholders and senior managers into the future.



**4,5%**

Economic growth expected in KwaZulu-Natal in 2018



**4,2%**

Economic growth registered in KwaZulu-Natal in 2017

## 01 MEC'S FOREWORD CONTINUED

For its part, Trade & Investment KwaZulu-Natal will continue focusing on the enhancement and packaging of investment opportunities, in line with the appetite of investors with whom the organisation interacts on a daily basis.

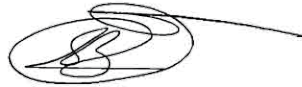
Critical to this has been the most pleasing development of our Province's export potential, with products produced here increasingly meeting and exceeding international standards, leading to growing uptake. Currently, KwaZulu-Natal's export markets constitute the traditional first-world markets in both the West and East, although we are now also witnessing the gratifying and most welcome emergence of African markets.

In conclusion, the 2017/18 financial year has proved something of a watershed period for Trade & Investment KwaZulu-Natal.

The review period has witnessed the appointment of the new Board of Directors. It is felt that the new Board members have the capacity to build on the tremendous foundation created by their predecessors. Accordingly, we look to the new incumbents for fresh impetus and acumen, as well as their knowledge and understanding of

trade, investment and economic development, in pursuit of further strengthening delivery against Trade & Investment KwaZulu-Natal's mandate.

Vitaly, this Board appointment has already seen Trade & Investment KwaZulu-Natal intensify its drive to promote our Province as a globally competitive trade and investment destination. Such impressive efforts auger well for renewed economic growth and attendant employment creation efforts in KwaZulu-Natal going forward.



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**Mr S Zikalala, MPL**

MEC for Economic Development, Tourism and  
Environmental Affairs

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Trade & Investment  
KwaZulu-Natal

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ONE STOP SHOP  
KWAZULU-NATAL

**investSA**  
ONE STOP SHOP  
KWAZULU-NATAL



# 02

## CHAIRPERSON'S STATEMENT



**MS CM CRONJÉ**  
CHAIRPERSON

### STRATEGIC REVIEW

Following the appointment of a new Board during the 2017/18 financial year, Board Members carefully evaluated the performance of Trade & Investment

KwaZulu-Natal against its mandate and deliverables. In doing so we were mindful of the shifting global forces and the opportunities it provides for our Province, South Africa and the Continent of Africa.

**IN VIEW OF OUR STRATEGIC LOCATION, KWAZULU-NATAL IS THE UNDISPUTED HOME TO SOUTH AFRICA'S MOST DIVERSIFIED ECONOMY**

We are also mindful of the opportunities that come with our membership of BRICS. As a Board we are acutely aware of our responsibility to provide a strategic thrust to the organisation that will focus on and ensure inclusive economic growth in KwaZulu-Natal.

With Africa's rise as a beacon of hope for driving the otherwise diluted growth of the global economy, there was a renewed focus on doing business with and in Africa. During the year under review Trade & Investment KwaZulu-Natal continued to place major emphasis on the promotion of key investment opportunities within our Province through marketing specific projects and opportunities. When promoting

and marketing the Province we naturally capitalise on the strategic advantage of our geographic location on South Africa's Eastern seaboard with the seaports of Durban and Richards Bay.

The manufacturing sector has emerged as a critical pillar driving inclusive economic growth in KwaZulu-Natal, clearly because it offers the greatest economic and employment multipliers.

Thus, the building of linkages from the resources sector is - and remains - a crucial mechanism for our Province to convert its comparative advantages into distinct competitive advantages.

In view of our strategic location, KwaZulu-Natal is the undisputed home to South Africa's most diversified economy, making the Province the ideal destination for both trade and investment.

Anchoring ourselves in this region's natural resources and first-world built infrastructure, Trade & Investment KwaZulu-Natal's business efforts during the period under review are considerable.

For instance, apart from appreciably exceeding its targets in almost every key deliverable area, the organisation also realised significant success in facilitating processes across a range of areas in which it is more difficult to measure return on investment.

**APPRECIATION**

I take this opportunity to express my deepest appreciation to the retired members of the Board of Directors for the professional manner in which they discharged their fiduciary and other duties and their contribution to the success of the organisation through their collective and individual experience and expertise.

Equally, it is my pleasure to warmly welcome into the fold our newly-appointed members of the Board. You have brought new vigour and vitality into the organisation and

have already made a significant contribution to the work of Trade & Investment KwaZulu-Natal.

I look forward to working with each and every one of you in taking the organisation to a new level.

I have no doubt that the individual skills and collective knowledge and experience you bring will prove to be a great asset to Trade & Investment KwaZulu-Natal.

Our Board offers an exceptional combination of knowledge



IT IS ESSENTIAL FOR TRADE & INVESTMENT KWAZULU-NATAL TO FOSTER AN ENVIRONMENT CONDUCIVE TO ATTRACTING AND RETAINING FOREIGN DIRECT INVESTMENT AND ENSURING EXPORT EXPANSION AND BUSINESS RETENTION IF WE ARE TO BOOST ECONOMIC GROWTH AND STIMULATE NEW EMPLOYMENT OPPORTUNITIES IN KWAZULU-NATAL. ”

and experience of the private sector, government and academia, which bodes well for the future strategic direction of our organisation and the meeting of its business objectives for the benefit of the people whom we are serving,

On behalf of all the members of our Board, I also extend our sincere appreciation to our previous Chief Executive Officer, Mr Zamo Gwala, for his inspired and steadfast leadership.

During his tenure he has created and sustained an organisational culture which encourages excellence across every operational level, a legacy of which he may be justifiably proud. We wish him and his family well in his future endeavours.

Lastly, on behalf of the Board, I sincerely thank the MEC for Economic Development, Tourism and Environmental Affairs, the Honourable Mr Sihle Zikalala, for his ongoing guidance and strategic direction to Trade & Investment KwaZulu-Natal.

Thank you for keeping us on our toes and reminding us of the importance of creating a better life for all the people in the Province through radical economic transformation

**CONCLUSION**

It is essential for Trade & Investment KwaZulu-Natal to foster an environment conducive to attracting and retaining foreign direct investment and ensuring export expansion

and business retention if we are to boost economic growth and stimulate new employment opportunities in KwaZulu-Natal. Within the broad trade and investment landscape, Trade & Investment KwaZulu-Natal is a critical catalyst to unlocking that growth. Let us rise to the challenge!

**Ms CM Cronjé**  
Chairperson

# 03

## CHIEF EXECUTIVE OFFICER'S REVIEW



**MR NST MATJIE**  
CHIEF EXECUTIVE OFFICER  
(ACTING)

### INTRODUCTION

Not only is Africa becoming the next economic frontier, but it is poised to be the biggest force that will power the global economy in the next few

years. With the economic fortunes of established countries flagging and the global economic landscape experiencing a tectonic shift from the West to the East, coupled with the rapid

development of emerging economies, Africa is fast emerging as the biggest economic story of our age. We have intensified and focused our energies on maximising the opportunities that will accrue out of Africa's economic rebirth.

Our Province is home to South Africa's second largest Provincial economy, a booming tourism sector, a burgeoning manufacturing sector, extensive agricultural opportunities, world-class sporting venues, conference facilities and a rich cross-cultural legacy and sense of history. With two of Africa's busiest seaports – Durban and Richards Bay – and an ultra-modern freight and passenger facility at Dube TradePort, just 30km north of Durban, coupled

with excellent road, rail and tele-communications infrastructure, KwaZulu-Natal is well-placed to significantly grow its position as an undoubted leader in the import and export market, whilst also enjoying huge tourism potential.

Key sectors contributing to KwaZulu-Natal's economy, with particular regard to employment creation and poverty alleviation, include manufacturing, construction, transport, finance and tourism, amongst others. In addition, the turn-around of the economies of our primary trading partners will offer a knock-on benefit to KwaZulu-Natal and our region's continued meaningful contribution to the South African Gross Domestic Product.

### REVIEW OF OPERATIONS

During the year under review, it is pleasing to report that Trade & Investment KwaZulu-Natal was successful in committing no fewer than 15 new investment projects, collectively valued at an impressive R2,18 billion. These investments are poised to create in excess of 3 650 new employment opportunities within the eThekweni, Zululand, uMkhanyakude and King Cetshwayo Districts of the Province.

Our organisation provided direct assistance to some 114 KwaZulu-Natal-based companies with regard to accessing new intra-trade opportunities,

TRADE & INVESTMENT  
KWAZULU-NATAL WAS  
SUCCESSFUL IN COMMITTING  
NO FEWER THAN 15 NEW  
INVESTMENT PROJECTS

whilst a further 169 local enterprises were assisted with the securing of both Provincial and National export incentives. Significantly, more than 360 KwaZulu-Natal-based export companies participated in Trade & Investment KwaZulu-Natal-co-ordinated export development programmes during the review period.

In support of business expansion initiatives, Trade & Investment KwaZulu-Natal facilitated company expansion projects worth R1,26 billion, which resulted in the creation by the affected business enterprises of an additional

2 264 new employment opportunities. Our organisation prides itself on ensuring that it has at its disposal accurate, updated information about local, national and global business trends. We utilise such crucial data effectively and efficiently, packaging it appropriately for both internal and external consumption.

Indeed, the 2017/18 financial year witnessed our organisation's development and packaging of some 21 sector analyses, fact sheets and value chain studies, all of which were professionally disseminated during the course



OUR ORGANISATION PRIDES ITSELF ON ENSURING THAT IT HAS AT ITS DISPOSAL ACCURATE, UPDATED INFORMATION ABOUT LOCAL, NATIONAL AND GLOBAL BUSINESS TRENDS. WE UTILISE SUCH CRUCIAL DATA EFFECTIVELY AND EFFICIENTLY, PACKAGING IT APPROPRIATELY FOR BOTH INTERNAL AND EXTERNAL CONSUMPTION.

of the period under review. In addition, the organisation achieved a clean audit, demonstrating our high levels of focus on adherence to Treasury prescripts, as well as corporate governance.

#### SPECIFIC HIGHLIGHTS OF THE FINANCIAL YEAR

The 2017/18 financial year proved both challenging and rewarding for KwaZulu-Natal's burgeoning business sector and its business community.

Highlights of the review period included:

- **World Economic Forum** - In May 2017 KwaZulu-Natal was accorded the opportunity to host the World Economic Forum on Africa, a major coup for our region and a further indication that we have been highly successful in positioning KwaZulu-Natal generally and Durban specifically as having the capacity to stage key, high-profile business events. This Province is rapidly assuming the mantle of being the home of major national

and international events hosted in South Africa. The theme of the World Economic Forum on Africa was centred around driving economic transformation in Africa through inclusive growth models.

- **InvestSA One-Stop-Shop - KwaZulu-Natal** - During the review period, South Africa's former President, Mr Jacob Zuma, officially launched the InvestSA One-Stop-Shop - KwaZulu-Natal.

The event was staged in November 2017 at the Inkosi Albert Luthuli International Convention Centre. The aim of the Provincial InvestSA One-Stop-Shop is to provide strategic guidance, reduce regulatory inefficiencies and ease red tape for all investors looking to invest in KwaZulu-Natal.

This Province's One-Stop-Shop is located in our office complex, located at Trade & Investment House in



**R2,18 billion**

Committed towards 15 new investment projects



**3 650 employment**

Opportunities created through investment

## 03 CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Durban's Kingsmead Office Park. The facility sets-out to address and assist with common challenges and to tackle serious bottlenecks in projects in an efficient and transparent manner.

Instead of investors having to make individual visits to numerous offices, the One-Stop-Shop concept in KwaZulu-Natal has provided single window access to the vast majority of the relevant Government agencies mandated to assist with business permits and enterprise establishment.

- **Intern Partnership with the South African Council for Graduates Co-operatives** - It is becoming evident that employers are increasingly setting great store by the need for experience in the workplace, making it ever more difficult for graduates to secure positions within the world of work.

Clearly, business enterprises are now more likely to employ individuals who have benefited from periods of internship, which afford them invaluable work experience and provide a sound foundation for their future careers. There can be no doubt that internship candidates are more competitive in the employment stakes.

In view of this emerging trend, Trade & Investment KwaZulu-Natal recognises and acknowledges the importance of work experience for the development of our youth, together with the need to capitalise on their education, by aligning it with relevant experience in business.

Accordingly, we launched an internship programme, in partnership with the South African Council for Graduates Co-operatives, during the course of the review period.

Our initial foray into this critical space saw our organisation recruit a total of 14 interns, who were placed within our various business units, exposing them to a wealth of operating experience and vital business knowledge, thus appreciably boosting their employability into the future.

### APPRECIATION

I take this opportunity to express my most grateful thanks to the KwaZulu-Natal Provincial Government and, in particular, Mr Sihle Zikalala, the MEC for Economic Development, Tourism and Environmental Affairs, for the continued support of and guidance offered to Trade & Investment KwaZulu-Natal during the period under review.

His and the department's cordial business interaction with our organisation is greatly appreciated in terms of our successful achievement of our goals and objectives and overall execution of our mandate.

I would further extend my sincere appreciation to both the Chairperson of the Board, Ms Ina Cronjé, and her fellow Board members.

The, strategic direction, business acumen and wealth of experience - in both public and private sectors - our Board members offer has, in no small measure, provided the very necessary go-forward momentum we have enjoyed during the year under review; momentum which continues to ensure that we make a substantial impact on the growth and development of our local economy, here in KwaZulu-Natal.

Last, but not least, I would extend my gratitude to the hard-working management team and individual members of staff for meeting and beating business obstacles thrown up in the 2017/18 financial year and for, especially, redoubling their efforts to meet every objective, in spite of prevailing staffing challenges.

Your professionalism and work ethic has seen our organisation rise above adversity, delivering to stakeholders the world-class products and services for which we are so well-known.

Finally, I wish to extend the organisation's appreciation to Mr Zamo Gwala, former Chief Executive Officer of Trade & Investment KwaZulu-Natal, who through his tenacity and incredible leadership, engendered a culture of high performance.

The learnings of the organisation from his tenure, will continue to enthuse a high-performing organisation, which will ensure an increase in new investments and the growth of our exports.

### CONCLUSION

In conclusion, Trade & Investment KwaZulu-Natal takes great pride in being 'your knowledge partner in business' and to making a telling difference in the lives of all in our wonderful Province by redoubling our efforts in promoting export trade and positioning KwaZulu-Natal as a premier destination for investment.

Our business intent is simple; it is to drive investment, facilitate export opportunities and business retention and expansion, all of which will assist in supporting the sustainable growth of our Province to the benefit of all our people.



**Mr NST Matjie**

Chief Executive Officer (Acting)





# 04

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General;
- The Annual Report is complete, accurate and is free of any omissions;
- The Annual Report has been prepared in accordance with Annual Report guidelines, as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to a Public Entity;
- The accounting authority is responsible for the

preparation of the Annual Financial Statements and for judgements made on this information;

- The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements;
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements; and
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2018.



**Mr NST Matjie**

Chief Executive Officer (Acting)

Date: 30 May 2017



**Mrs L Nyamande**

Chief Financial Officer

Date: 30 May 2017





# 05

## STRATEGIC OVERVIEW

KwaZulu-Natal provides for South Africa's second largest economy and the Province's trade and inward investment agency, Trade & Investment KwaZulu-Natal, is charged with promoting this region as a premier investment destination and with facilitating trade through assistance to locally-based business enterprises in terms of accessing international markets.

Operating in globally competitive markets, Trade & Investment KwaZulu-Natal is internationally acclaimed for the role it plays in positioning South Africa, and KwaZulu-Natal specifically, as world-class investment destinations, whilst simultaneously creating extensive and sustainable export opportunities for locally-based industries.

The organisation, a Schedule 3C Public Entity, is currently headed by Acting Chief Executive Officer, Mr Neville Matjie, who reports to the Board of Directors which, in turn, is appointed by the Provincial MEC for Economic Development, Tourism and Environmental Affairs.

Intense global competition for foreign direct investment necessitates that Trade & Investment KwaZulu-Natal employs specialists and professionals at the cutting-edge of their respective fields, inclusive of investment promotion, strategy, research, project management, finance, marketing and human resources.

The organisation is dedicated to creating an environment within KwaZulu-Natal which is conducive to business development and which is attractive to both local and international investors and traders. In this regard, KwaZulu-Natal is fortunate to enjoy a number of distinct advantages, making it a prime trade and investment destination.

Located on the East Coast of South Africa, KwaZulu-Natal spans an area of some 94 361 square kilometres. The warm waters of the Indian Ocean, together with its rich history and biodiversity, makes this Province both a prime tourist destination and an important hub for industrial development... a major gateway to rapidly emerging sub-Saharan economies and markets.

In essence, KwaZulu-Natal offers:

- Superb natural resources;
- Exceptional productive capacity;
- Highly developed first-world infrastructure;
- A valuable coastal location, featuring both South Africa's primary harbours - Durban, one of the busiest in Africa, and Richards Bay, the deepest break-bulk harbour in Africa;
- The Dube TradePort, home to King Shaka International Airport and the heart of South Africa's first purpose-built aerotropolis, or airport city; and
- An enviable lifestyle, complemented by an idyllic climate.

The Province offers an extensive range of economic activities, inclusive of capital-intensive manufacturing, transport, storage, communications, finance and business services, as well as highly productive agricultural, forestry, fishing and accommodation sectors.

In line with National and Provincial Government industrial policies, Trade & Investment KwaZulu-Natal actively promotes the Province's competitive advantages, so leveraging an ever-increasing share of the world's investment market.

The organisation accordingly strives to facilitate the establishment of both new local and foreign investment, actively supports the retention and expansion of existing businesses within the Province and offers professional after-care services to clients, all in a concerted and ongoing effort to support the sustainable economic growth of KwaZulu-Natal.

### VISION, MISSION AND OBJECTIVES

#### Our Vision:

To be the leader in developing and promoting export trade in KwaZulu-Natal and to position the Province as a premier destination for investment. This will be undertaken on behalf of the Province of KwaZulu-Natal with a view to

- Attracting new investments;
- Facilitating export opportunities; and
- Facilitating business retention and expansion programmes.

Ultimately, the success of Trade & Investment KwaZulu-Natal will assist in supporting sustainable growth in KwaZulu-Natal for the benefit of all its citizens.

#### Our Mission:

The mission of Trade & Investment KwaZulu-Natal is to:

- Identify and package export trade and investment opportunities in KwaZulu-Natal;
- Brand and market KwaZulu-Natal as an investment destination;
- Link opportunities to the developmental needs of the KwaZulu-Natal community; and
- Ensure easy access to investment and export trade opportunities.

#### Our Values:

The values of Trade & Investment KwaZulu-Natal are to espouse:

- Professionalism;
- Integrity; and
- Passion.

#### Our Objectives:

In order to meet shareholder and stakeholder expectations,

Trade & Investment KwaZulu-Natal aims to deliver exceptional levels of professional services and support to clients and stakeholders by way of:

- Attracting, developing and retaining high-performing employees who have the skills and competencies required to manage key internal business processes, including the marketing of Trade & Investment KwaZulu-Natal as an investment promotion agency;
- Enhancing the research and knowledge capabilities of Trade & Investment KwaZulu-Natal and making use of technology as an enabler for the organisation's business;
- Ensuring compliance with corporate governance and financial reporting standards; and
- Advocating for a conducive business environment in KwaZulu-Natal and marketing the Province as a premier business destination.

#### **Our Key Services:**

Trade & Investment KwaZulu-Natal undertakes a diverse range of key activities and, in addition, provides support services designed to ensure the successful promotion of business investment and trade development.

Such activities and support include:

- Joint venture facilitation;
- Business linkages between small and big businesses;
- The timely provision of relevant and reliable information to both potential and existing investors and traders;
- Assistance to both existing and new investors regarding applications for both investment and export marketing incentives;
- Applications for business permits for foreign investors;
- Negotiation for Local Government incentives on behalf of investors;
- The provision of project support and after-care services to investors;

- The provision of assistance to emerging international traders;
- International trade enquiry assistance;
- The location of suitable premises for investors; and
- Assistance in securing project and operational finance.

#### **Our Strategic Partners:**

Trade & Investment KwaZulu-Natal has, through a number of strategic partnerships, aligned itself with like-minded stakeholders with a view to synergistically and consistently promoting the Province's attributes.

Such linkages have given effect to a number of collaborations on projects, inclusive of both inbound and outbound missions, events and promotional activities, all designed to leverage the expansion of the agency's overall business activities.

Strategic partners include:

- Public entities;
- Financial institutions;
- Tertiary educational and research institutions;
- Business, commerce and industry associations;
- The business chamber movement, at both Provincial and National levels;
- Economic development agencies;
- Municipalities in KwaZulu-Natal;
- Other investment promotion agencies (National and International); and
- Provincial and National Government departments.

Trade & Investment KwaZulu-Natal is equipped with the professional expertise, experience, and national and international networks necessary to maintain and grow KwaZulu-Natal's competitive advantages as a premier investment destination and leader in export trade.

# 06

## LEGISLATIVE AND OTHER MANDATES

Being a Schedule 3C Public Entity, Trade & Investment KwaZulu-Natal, is obliged to comply with and adhere to the:

- Trade & Investment KwaZulu-Natal Act, Act No. 5 of 2010;
- Public Finance Management Act and Treasury Regulations;
- National Development Plan;
- Provincial and National priorities;
- Provincial Growth and Development Strategy and Plan;
- Broad-Based Black Economic Empowerment Act;
- Policies and directives of the Department of Economic Development, Tourism and Environmental Affairs; and
- Memoranda of Understanding, signed with various countries around the world.







# 07

## ORGANISATIONAL STRUCTURE

### BOARD OF DIRECTORS

Trade & Investment KwaZulu-Natal's Board of Directors currently comprises the following members:



**MS CM CRONJÉ**  
Chairperson



**MS LCZ CELE**  
Deputy Chairperson



**MR GW BELL**  
Member



**MR BD DLAMINI**  
Member



**MR CS GINA**  
Member



**MS U MAHARAJ**  
Member



**DR. VF MAHLATI**  
Member



**MR SK MPUNGOSE**  
Member



**MR S NAIDOO**  
Member



**MR MC NGCOBO**  
Member



**MR ZC NGIDI**  
Member



**MR K SHANDU**  
Member



**MS NNC GUMBI**  
Company Secretary



# 08

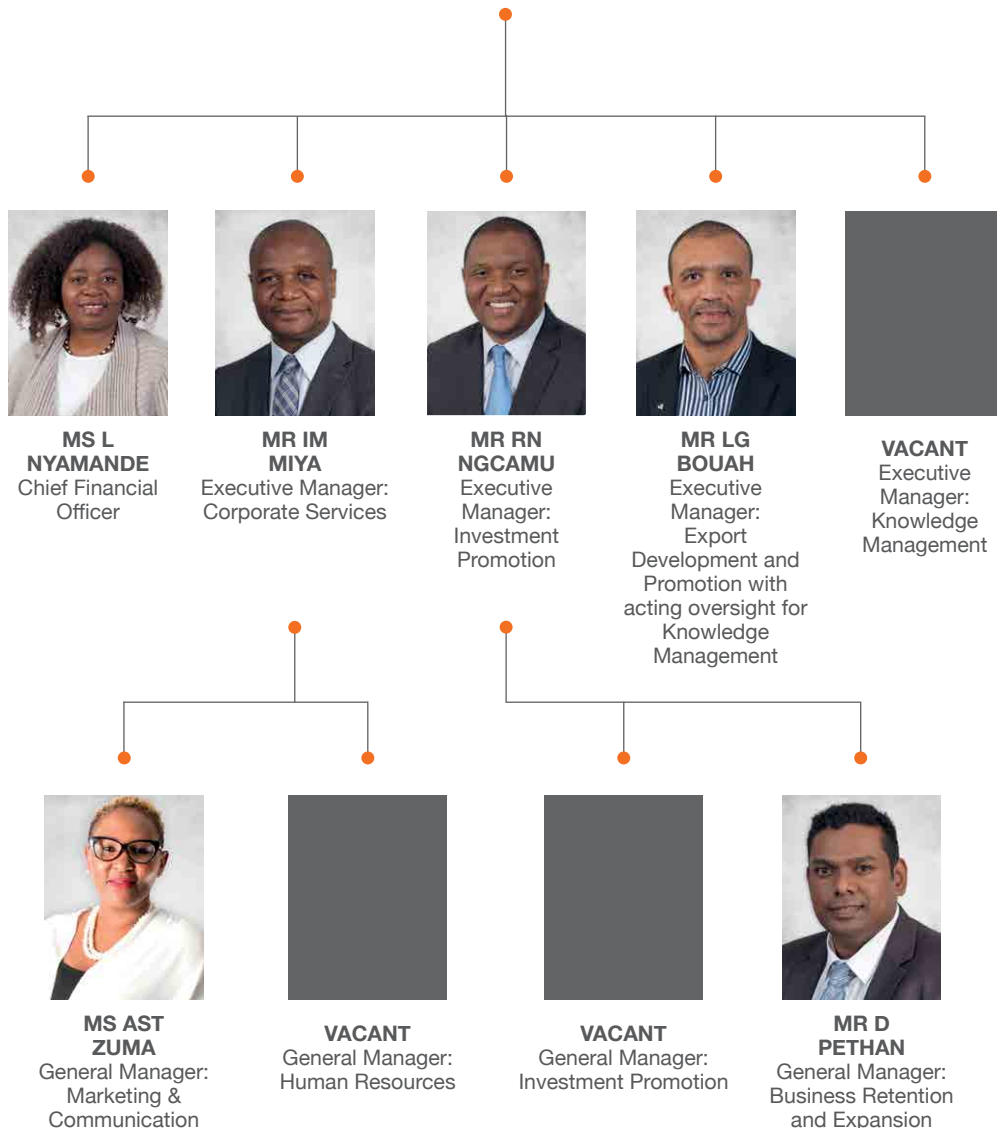
## MANAGEMENT STRUCTURE

### MANAGEMENT TEAM

Trade & Investment KwaZulu-Natal's Management team currently comprises the following members of staff:



**MR NST MATJIE**  
Chief Executive Officer (Acting)  
and Executive Manager:  
Strategy and Operations



**B**

# PERFORMANCE INFORMATION

Environmental and organisational performance is detailed in the following reports. Key organisational strategic objectives are encapsulated in various programmes with measurable indicators

- 09 Overview of the Economic Environment
- 10 Overview of the Organisational Environment
- 11 Trade & Investment KwaZulu-Natal Programmes

# 09

## OVERVIEW OF THE ECONOMIC ENVIRONMENT

The global economy is experiencing a broad-based cyclical upturn, which is expected to be sustained over the next several years, although with downside risks.

This recovery is aided by a rebound in investment and trade, against the backdrop of benign financing conditions, generally accommodative policies, improved confidence and the dissipating impact of the earlier commodity price collapse. In contrast, growth in potential output (full-employment output) is flagging, languishing below its longer-term and pre-crisis average, both globally and amongst emerging market and developing economies.

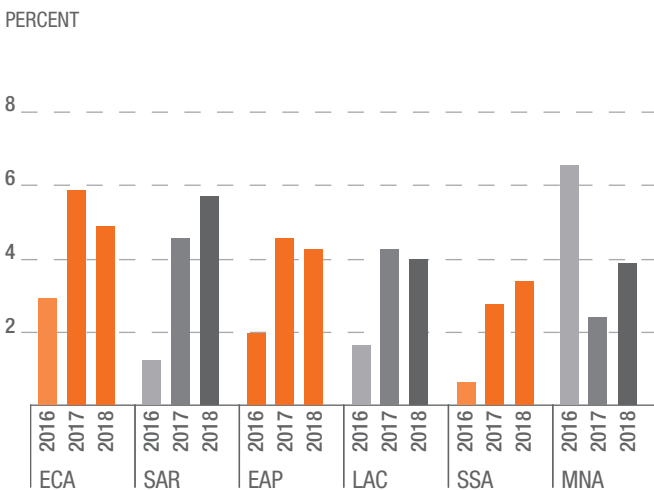
Forces depressing potential output growth will continue, unless countered by structural policies. In oil-exporting economies, the 2014-16 oil price collapse has prompted

certain reforms. Nevertheless, across all emerging market and developing economies, there remains room for policy improvements. Growth among emerging markets and developing economies has improved, reflecting firmly in activities in commodity exporters. Most emerging market and developing economies benefited from a recovery in exports. Policy initiatives, to lift physical and human capital, encourage labour force participation and improve institutions, have assisted in raising potential growth and reducing inequality.

The robust pace of expansion in emerging market and developing economies boasting a substantial number of commodity importers is expected to continue. Risks to the outlook have become more balanced in some regions, but continue to tilt down in all of them.

### Regional Export and Investment

#### EXPORT GROWTH BY REGION



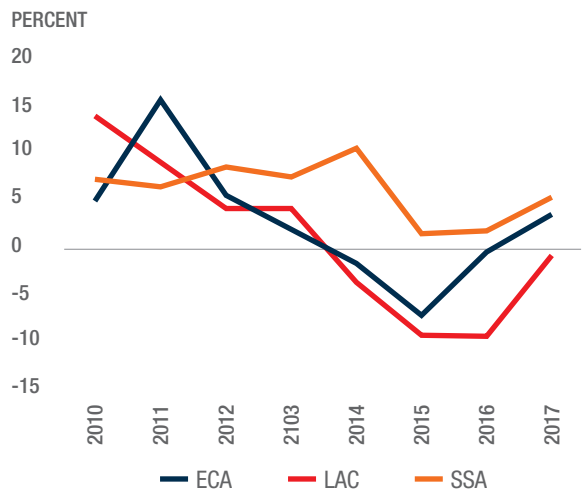
Source: IMF Data

In spite of substantial risks, the global economic outlook is improving, with growth of 3,7% forecast in 2018.

Higher global growth can benefit South Africa's medium- to long-term growth prospects if the country is able to boost investment and export competitiveness.

The South African economy grew by an annualised rate of 1,3% in 2017, following a recession that began in the fourth quarter of 2016. The stronger-than-expected rebound was underpinned by a return to growth in the services sector and robust agricultural output. Recent political events have

#### INVESTMENT GROWTH BY REGION



also placed South Africa in a positive economic outlook environment.

Concerns about policy and political uncertainty, have been quelled, improving investment and employment creation potential. However, weak domestic demand still weighs heavily on business and consumer confidence.

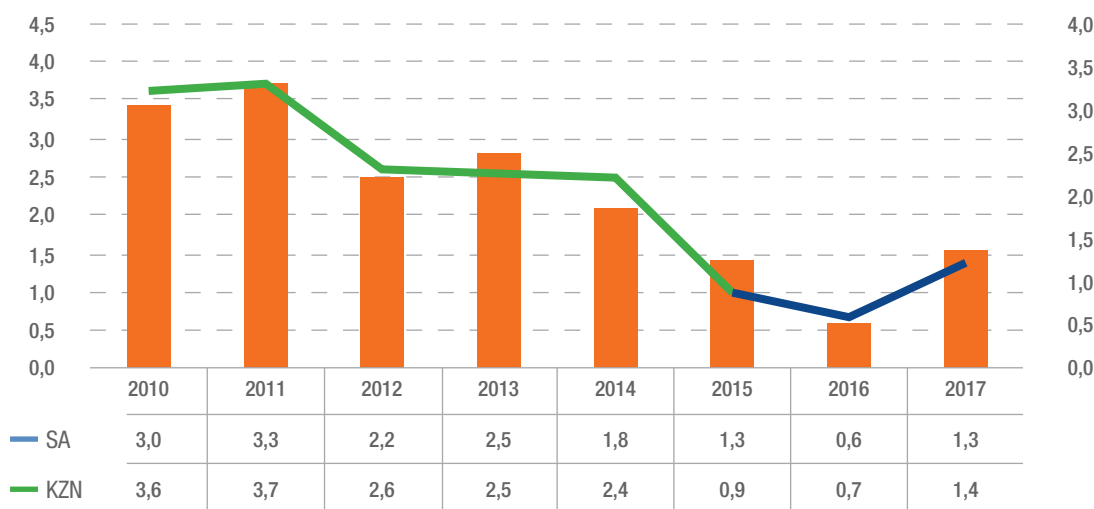
Government's economic policy, guided by the objectives of the National Development Plan, centres on inclusive growth, transformation and competitiveness seems to finally stand a good chance of positive implementation.

Progress has been registered on the previously-announced 14 confidence-boosting measures.

A series of micro-economic reforms would provide impetus to confidence and investment.

## Percentage of Real Gross Domestic Product

### NATIONAL AND PROVINCIAL GDP%



Source: Quantec Data

KwaZulu-Natal is South Africa's second largest Provincial economy, contributing almost a fifth to the country's Gross Domestic Product.

Provincial economic growth has also consistently been recorded above national average rates, signalling its continued relevance and remarkable resilience. During the third quarter of 2017, Provincial Gross Domestic Product was recorded at 2,7%, but showed an increase in the fourth quarter to 4,2%.

The strongest sectors of the Provincial economic make-up include agriculture and manufacturing, together with mining and quarrying. Economic growth in 2017 showed a 1,4% improvement, whereas the population growth rate dropped by 0,04% in the same period. The fourth quarter of 2017 placed economic growth at 1%.

The Province's export markets are also regarded as

traditional first-world markets in the West and the East. In addition, there is a continuing emergence of African markets on the radar.

Exports value was recorded at R139,7 billion in 2017, a slight improvement against the 2016 trajectory of R130,1 billion, resulting in KwaZulu-Natal enjoying a trade surplus of R19,5 billion.

The top three export destinations recorded for 2016 included the United States of America, China and Namibia. The main exported products included aluminium, vehicles - other than railway - ores, slag and ash, iron and steel.

The total amount in terms of investment has increased from R2,5 billion in 2015 to R11,7 billion in 2016. The increase in 2016 was due to a R10 billion investment from the tourism sector. Foreign direct investment flow into the Province between 2008 and 2016 amounts to R15,6 billion.

# R139,7

Export value recorded in 2017, an improvement against the 2016 trajectory of R130,1 billion

# R15,6

The flow of foreign direct investment into the Province between 2008 and 2016







# 10

## OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT

Trade & Investment KwaZulu-Natal's day-to-day business operations are managed by the Chief Executive Officer, who is appointed by the entity's Board.

The CEO is currently supported by four executive managers, who are responsible for the organisation's various Business Units and who report to the Chief Executive Officer.

Each Business Unit comprises a professional team of staff members who are responsible for implementing identified strategic indicators in order to ensure the achievement of Trade & Investment KwaZulu-Natal's strategic objectives. The entity's Business Units presently comprise:

- Finance (including Supply Chain Management);
- Corporate Services (incorporating both Human Resources and Marketing and Communication);
- Investment Promotion and Facilitation (including both Business Retention and Expansion and Destination Marketing);
- Export Development and Promotion;
- Knowledge Management (including Information Communications Technology); and
- The Office of the Chief Executive Officer (including both the Gauteng Office and Policy Advocacy and Strategy).

During the year under review, Trade & Investment KwaZulu-Natal's budget allocation amounted to R82,4 million. The funds are managed and spent in line with the Public Finance Management Act and Treasury Regulations.

The Board held its strategic planning session for 2014-19 and aligned Trade & Investment KwaZulu-Natal's vision, mission and strategic objectives to the five-year plan.

### KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There have been no policy changes to the entity's mandate.

### Strategic Outcome-orientated Goals:

Trade & Investment KwaZulu-Natal has formulated a set of strategic performance objectives, which have been endorsed by the organisation's Board.

These include:

- Improving market visibility and increasing brand awareness of Trade & Investment KwaZulu-Natal's services, locally and internationally;
- Complying with National and Provincial Treasury regulatory reporting standards;
- Improving human capability so as to create an effective and efficient organisation;
- Improving organisational effectiveness and efficiency through the use of information technology;
- Promoting and facilitating new fixed investments in KwaZulu-Natal;
- Promoting and developing exports from KwaZulu-Natal;
- Advocating for a conducive business environment in KwaZulu-Natal;
- Enhancing the entity's research and knowledge capabilities so as to effectively disseminate comprehensive business intelligence to stakeholders; and
- Facilitating both trade and investment opportunities in KwaZulu-Natal (Gauteng Office).

The organisation's key organisational strategic objectives are encompassed in the following four programmes, with measurable indicators:

- Corporate Services;
- Investment Promotion and Facilitation;
- Export Development and Promotion; and
- Strategy, Operations, Advocacy and Knowledge Management.

Achievements in terms of the above-detailed strategic outcome-orientated goals are summarised in the following tables.



## 1. MARKETING AND COMMUNICATIONS

TO IMPROVE MARKET VISIBILITY AND BRAND AWARENESS OF TRADE & INVESTMENT KWAZULU-NATAL'S SERVICES LOCALLY AND INTERNATIONALLY					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Conduct a brand awareness and perception survey	0	1	1	Target achieved	The organisation achieved the annual target
Number of public relations programmes implemented to enhance the TIKZN brand	21	20	28	8	The organisation increased its Public Relations programmes as a result of stakeholder partnerships. It partnered with East Coast Radio, Connecting Africa and a number of media profiles, to which the organisation contributed
Number of advertising campaigns implemented to promote TIKZN services	11	8	17	9	The annual target was exceeded as a result of the organisation's efforts in building relations with the media. Additional advertising campaigns, were implemented as a result of delegations hosted by the organisation
Major events/ international marketing campaigns, in conjunction with stakeholders, to promote the Province	11	6	13	7	The financial year saw the organisation increase its marketing campaigns, in partnership with its stakeholders. Key events, such as EDTEA budget speech, Operation Sukuma Sakhe, Essence Durban, Embassy Session, and others were undertaken

# 10 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 2. FINANCE

### TO COMPLY WITH NATIONAL AND PROVINCIAL TREASURY REGULATORY REPORTING STANDARDS

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
To achieve a clean audit	Clean Audit	Clean Audit	Unqualified opinion	Entity obtained an unqualified opinion	The organisation achieved an unqualified report from the Auditor-General, due to leasehold improvements not correctly reported
Percentage of BEE-compliant suppliers in procurement spend	97,25%	75%	98,25%	23,25%	The organisation has made a concerted effort to encourage service providers to verify their BEE status and register on the suppliers database
Percentage of internal audit findings resolved prior to Auditor-General audit	97,40%	90%	100%	10%	Internal audit findings completed: 1. Follow up on Auditor-General, 2. Knowledge Management 3. IT Inventory 4. Performance Information 5. Human Resources All findings have been cleared
Percentage of risks identified and properly mitigated or resolved (As identified through the risk management process and document in the risk register)	95%	90%	95%	5%	The organisation has made a concerted effort to ensure that the mitigation of risks is prioritised. There are 13 risks in total, with 41 action items. The organisation recorded that 39 risk actions were completed/ addressed and/or properly mitigated. The remaining risks are in the process of being finalised
To improve TIKZN'S overall B-BBEE rating level	New	Level 2	Level 8 (Non-Compliant)	Level 8 (Non-Compliant)	Points were lost on learnerships/ internships because, for the review period none existed. Minimal points were allocated for Supplier Development as the organisation did not develop suppliers in this period. This is a new requirement in the verification process. TIKZN does undertake much enterprise development. However, the companies are not TIKZN service providers. Management has a plan in place to remedy this matter, going forward.

## 3. HUMAN RESOURCES

### IMPROVE HUMAN CAPITAL CAPABILITY TO CREATE AN EFFECTIVE AND EFFICIENT ORGANISATION

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Staff performance rating	71,30%	80%	76%	4%	Budget restrictions and compliance with cost-cutting measures, meant vacant posts could not be filled
Number of training programmes implemented to enhance critical competencies	14	10	12	2	Two additional important training programmes that staff were sent on included: Investment Promotion and Export Administration
Number of staff that participate in secondment and staff rotation programmes	7	8	8	Target achieved	The organisation continues to respond to the need for staff to receive exposure in other units
Number of sessions hosted by change management facilitators	8	8	9	1	One additional session was hosted during the financial year
Number of employee wellness programmes implemented	8	10	10	Target achieved	The organisation achieved its annual wellness programme targets for the year

#### 4. INFORMATION AND COMMUNICATION TECHNOLOGY

##### TO IMPROVE ORGANISATIONAL EFFECTIVENESS AND EFFICIENCY THROUGH THE UTILISATION OF INFORMATION, COMMUNICATION AND TECHNOLOGY

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Number of successfully implemented ICT business improvement initiatives	2	4	4	Target achieved	The organisation achieved its annual target
Percentage of IT audit findings resolved	100%	90%	100%	10%	All IT audit findings were resolved and the target was exceeded
Number of projects implemented to enhance the organisation's digital presence	4	4	5	1	Target was exceeded as a result of the finalisation of one additional project
Percentage of IT systems uptime and availability	99,95%	95%	99,9%	4,9%	Excellent systems uptime and availability with planned maintenance windows outside normal working hours
Percentage of IT help-desk turn-around time	100%	98%	100%	2%	All queries lodged at the IT help-desk were resolved on time

#### 5. INVESTMENT PROMOTION AND FACILITATION PROGRAMME

##### TO PROMOTE AND FACILITATE NEW FIXED INVESTMENTS IN THE KWAZULU-NATAL PROVINCE

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Rand value of new investment projects committed	R10,885 billion	R1,8 billion	R2,18 billion	R378,4 million	The organisation committed 15 investment projects, resulting in more than R2 billion worth of investments. Continuous positive support from relevant stakeholders during the facilitation of projects resulted in the target being exceeded
Number of potential jobs created from new projects facilitated	6 270	2 500	3 650	1 150	The 15 committed investment projects yielded 3 650 job opportunities from, largely, the manufacturing, tourism and property development sectors
Number of projects added to the investment pipeline for future development	65	80	74	(6)	High vacancy rate in the Investment Promotion Unit, coupled with limited outward missions undertaken and a decline of inward missions hosted, impacted negatively on this deliverable
Number of investment attraction missions facilitated (inward and outward)	20	25	22	(3)	Non-achievement of this target was caused by the fact that certain planned outward missions were not undertaken due to delayed approval, coupled with KwaZulu-Natal experiencing a significant decline in inward missions during the financial year

# 10 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 6. BUSINESS RETENTION AND EXPANSION

### RETAIN AND EXPAND BUSINESSES IN THE KWAZULU-NATAL PROVINCE

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Rand value of company expansion projects committed	R859 million	R800 million	R1,26 billion	R463,65 million	As a result of continued support provided to KwaZulu-Natal companies, the organisation exceeded target. Renewed optimism in the business climate made it possible for company expansion projects to be facilitated
Number of jobs created from company expansions	2 452	2 000	2 264	264	Support provided for business expansions resulted in additional jobs being created in, especially, the services and manufacturing sectors
Number of Municipal business retention and expansion (BRE) programmes implemented	11	6	7	1	Good support from Municipalities and stakeholder partners for the Municipality Business Retention and Expansion Programmes resulted in the target being exceeded
Number of companies assisted with business turn-around solutions	New	8	17	9	The PUM Programme proved very popular with companies intending to expand operations and improve business efficiency. A greater than expected number of applications were received and successfully processed
Number of business support interventions (administration and strategic support) facilitated for companies	46	36	49	13	Trade & Investment KwaZulu-Natal received more than the usual number of requests for interventions in areas such as grant funding applications, work permits and technical assistance fund. Such support was successfully provided resulting in the target being exceeded

## 7. DESTINATION MARKETING

TO MARKET AND POSITION THE KWAZULU-NATAL PROVINCE IN KEY MARKETS					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Number of international destination marketing activities implemented (Investment Promotion and Exports)	7	8	9	1	Countries targeted included Ethiopia, Turkey, Spain and the United States of America. Multiple engagements in Turkey (two cities) and the United States (four cities) contributed to the unit exceeding target
Number of inward missions co-ordinated	16	15	18	3	While ongoing engagement with FERs and other international stakeholders promotes inward missions, these are decided upon by various international agencies and consulting agencies from which they originate. Destination Marketing works to ensure that as many of these visit KwaZulu-Natal as possible
Number of qualified leads generated by destination marketing activities	20	12	16	4	Affirmative engagement with stakeholders and companies in especially, the USA and Turkey contributed to the leads target being exceeded
Host an investment conference, with the participation of international stakeholders	New	1	2	1	The World Economic Forum Africa 2017 was the sole investment conference targeted for 2017/18. However, Destination Marketing was also invited to assist in the development and implementation of the Pan African Health Conference, held in Umhlatuze

# 10 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 8. EXPORT DEVELOPMENT AND PROMOTION PROGRAMME

### TO DEVELOP AND PROMOTE EXPORTS FROM THE KWAZULU-NATAL PROVINCE

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Export and intra-trade opportunities accessed for KwaZulu-Natal export companies	67	70	114	44	The organisation assisted in the recruitment of exporters into Africa, which resulted in additional markets being accessed by participating KwaZulu-Natal-based companies
Number of KwaZulu-Natal exporters that have attended trade events in traditional and emerging markets (BRICS Africa and the like)	113	80	143	63	As a result of intense recruitment of KwaZulu-Natal exporters to take advantage of showcasing their products internationally, the target was exceeded
Number of KwaZulu-Natal companies assisted with Provincial and National export incentives (SSAS, EMIA, BEEFA, TAF and the like)	119	120	169	49	The organisation continuously assists KwaZulu-Natal exporters to access subsidies available and offered by sister departments, such as the dti. As a result of these efforts the target was exceeded
Number of KwaZulu-Natal export companies that have participated in TIKZN-co-ordinated export development programmes	381	364	360	(4)	This indicator was not achieved because of internal control of unsigned attendance registers by participating clients
Number of emerging KwaZulu-Natal companies that have participated in TIKZN export readiness programmes	291	246	288	42	The organisation assisted an additional 42 emerging companies with export readiness programmes. These companies were trained in the knowledge of international trade and export

## 9. OFFICE OF THE CHIEF EXECUTIVE OFFICER

TO ENSURE A CONDUCTIVE BUSINESS ENVIRONMENT IN THE KWAZULU-NATAL PROVINCE AND ORGANISATIONAL STRATEGIC COMPLIANCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Approved strategic plan and annual performance plan	1	2018/19 APP	2018/19 APP	Target achieved	The organisation achieved the planned target
Number of quarterly monitoring reports	New	4	4	Target achieved	The organisation achieved the planned target
Number of evaluation reports produced	New	4	4	Target achieved	The organisation achieved the planned target
Approved audited Annual Report	New	1	1	Target achieved	The organisation achieved the planned target
Number of interventions facilitated (e.g. Project Brokering Unit)	10	10	11	1	The organisation continues to assist project promoters who have catalytic projects facing challenges/ blockages in either legislative or process compliance from sister Government Departments. Target exceeded by one due to One-Stop -Shop interventions
Number of Municipal investment profiles developed	5	5	7	2	In partnership with SALGA, the organisation assisted in developing two additional profiles for Municipalities
Number of policy guidelines round-table sessions hosted	6	6	7	1	Policy round-table sessions assist in the discussion of key issues that affect the business environment. The organisation hosted an additional session
Number of development programmes implemented in partnership with SALGA for Municipalities or Development Agencies	8	9	10	1	The target was exceeded by an additional programme implemented for Municipal planners
Number of macro-economic research reports developed and disseminated and sessions hosted	16	22	12	(10)	Due to the capacity challenge within the organisation, this target was not met, although a concerted effort was made to reduce the variance

# 10 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 10. KNOWLEDGE MANAGEMENT

### TO ENHANCE TRADE & INVESTMENT KWAZULU-NATAL'S RESEARCH AND KNOWLEDGE CAPABILITIES TO EFFECTIVELY DISSEMINATE COMPREHENSIVE BUSINESS INTELLIGENCE TO STAKEHOLDERS

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Number of the sector analyses, fact sheets and value chain studies developed and disseminated	32	16	21	5	The organisation was able to produce an additional five fact sheets in the financial year. These were propelled by the acquisition of the Decision Support Model
Number of product and market opportunities researched and developed for export promotion	23	16	17	1	The organisation was able to produce one additional product and market opportunity within the financial year
Number of catalytic investment opportunities researched, packaged and disseminated in conjunction with Investment Promotion and relevant stakeholders	11	12	10	(2)	Due to the capacity challenge within the organisation, this target was not met, although a concerted effort was made reduce the variance
Host dialogue forums to present packaged research, sector strategies and value chain analyses to stakeholders	4	8	9	1	The target was exceeded by one packaged research paper

## 11. GAUTENG OFFICE

### TO FACILITATE TRADE AND INVESTMENT OPPORTUNITIES IN THE KWAZULU-NATAL PROVINCE THROUGH THE GAUTENG OFFICE

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT 2017/18	VARIANCE FROM TARGET 2017/18	COMMENT ON DEVIATIONS
Number of qualified trade and investment leads generated and handed over from Gauteng Office	45	45	61	16	Due to the interest in available KwaZulu-Natal opportunities, an additional 16 leads were generated
Number of international organisation/foreign investor sessions hosted	11	12	16	4	The organisation hosted four additional sessions with partners which resulted in the target being exceeded
Number of inward investment and buying missions recruited for KwaZulu-Natal	12	8	14	6	An additional six delegations were recruited for KwaZulu-Natal during the financial year
Number of business development initiatives undertaken in strategic foreign markets	7	8	9	1	The target was exceeded by one market, due to an engagement with the South African Embassy in Finland
Number of sector-specific business linkage sessions hosted for KwaZulu-Natal companies	16	10	14	4	The organisation pro-actively organised sessions linked to sectors in an effort to market and promote KwaZulu-Natal. Four additional sessions were hosted





# 11

## TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES

### 11.1 MARKETING AND COMMUNICATIONS

#### Introduction:

The Marketing and Communications Business Unit provides support in meeting all Trade & Investment KwaZulu-Natal's marketing needs, inclusive of, but not restricted to, the corporate brand, public relations, event management, stakeholder engagements and general marketing. The unit supports platforms for the branding and positioning of Trade & Investment KwaZulu-Natal both domestically and internationally.

#### Key Highlights: Stakeholder Participation:

As part of the Trade & Investment KwaZulu-Natal's stakeholder engagement management plan, the Marketing and Communications Business Unit developed plans geared towards the effective engagement of key strategic partners.

In this regard, the 2017/18 financial year saw the unit engage with Local and District Municipalities in Zululand, Amajuba, uThukela and uMgungundlovu. Such engagement formed part of the organisation's Local and District Municipality Visitation Programme, in preparation for a road-show campaign and in an effort to improve relationships with such Municipalities. In line with these visits, the organisation followed-up by also hosting its Municipal Road-Show Campaign, covering Zululand, Amajuba, uThukela and uMgungundlovu. Tourism KwaZulu-Natal partnered with Trade & Investment KwaZulu-Natal in undertaking this hugely informative road-show campaign.

#### World Economic Forum on Africa (WEFA):

During the 2017/18 financial year Trade & Investment KwaZulu-Natal, on behalf of the Province, partnered with Brand South Africa during the 27<sup>th</sup> World Economic Forum on Africa (WEFA), which was staged in Durban between 03 and 05 May 2017, in order to host two WEFA side events, being:

- A Youth Breakfast on 03 May, employing the theme: 'The Role of Youth in Connecting African Markets;' and
- A Thought Leadership Breakfast on 04 May, which adopted the theme: 'The Role of Business in Achieving Inclusive Growth.'

The overriding WEFA conference theme was: 'Driving Economic Transformation in Africa Through Inclusive Growth Models,' Sub-themes included the following:

- Sustainable, prosperous and inclusive future;
- New models of growth; and
- Innovation.

The conference was attended by leaders from forum communities, including Global Shapers and Young Global

Leaders. Points of focus covered during the event included:

- Education;
- Skills and employment;
- Entrepreneurship;
- Energy;
- Infrastructure and development finance;
- Combating, adapting and building resilience against climate change; and
- Science and technology and innovation.

#### InvestSA - KwaZulu-Natal Launch:

During the review period, Trade & Investment KwaZulu-Natal, in collaboration with the dti and relevant stakeholders, successfully launched in the Province the KwaZulu-Natal One-Stop-Shop concept.

The event prompted exceptional media exposure as a consequence of planned public relations activities, supported by a carefully orchestrated media roll-out plan, which included - amongst others - an opinion piece issued on behalf of the MEC for Economic Development, Tourism and Environmental Affairs, an interview on Gagasi FM and coverage by a range of national broadcasters, such as SABC TV, ENCA and ANN7, as well as exposure in a number of print titles. In addition, the event generated extensive social media interaction, with the One-Stop-Shop launch event trending on twitter for the entire day.

#### Public Relations - Publicity:

Public relations remains a crucially important channel for the Marketing and Communications Business Unit. The effective employment of this channel led to extensive coverage of key strategic events during the year under review, assisting to create awareness and boosting the profile of the organisation and its services.

Events to have benefited from public relations interventions included the organisation's road-show campaign, the KwaZulu-Natal Export Week, the World Economic Forum on Africa event and planned external missions, as well as the annual Connecting Africa intervention.

Other public relations platforms - not directly linked to events - utilised during the financial year included interviews involving the Chief Executive Officer with both Business Day and Kaya FM. The Business Day interview was utilised to unpack the journey and experience of attracting foreign direct investments to the Province. The Kaya FM interview was made possible through the utilisation of an existing relationship stemming from the well-known tourism-related East3ROUTE initiative. In this instance, Trade & Investment KwaZulu-Natal was invited by Kaya FM to unpack the organisation's range of services and to spell-out its

operational mandate.

#### **Advertising:**

During the year under review the entity embarked on a strategically planned and concerted social media campaign, fully employing digital platforms to effectively and broadly advertise the organisation and its role.

#### **Marketing Policy:**

Endeavouring to ensure that the entity's policies remain relevant to the environment within which the organisation operates, the period 2017 to 2019 was earmarked for policy review. To this end, the Marketing and Communications Business Unit's policy was updated and approved by the Board.

#### **Brand Awareness and Perception Survey:**

During the financial year an extensive brand awareness and perception research survey was developed and conducted in order to measure the performance of Trade & Investment KwaZulu-Natal in the market place. The level of brand awareness amongst stakeholders remains high and has improved significantly from the previous perception survey.

Stakeholder understanding of the mandate and services has also improved. The perception that Trade & Investment KwaZulu-Natal is a funding agency has diminished. Through programmes implemented by the Business Retention and Expansion Unit in, especially, municipalities, the survey revealed that outputs have been instrumental in increasing the awareness levels. Although the organisation recently ventured into the social media space, it was also noted that stakeholders still appreciate traditional media as a viable communications channel.

## **11.2 INVESTMENT PROMOTION AND FACILITATION**

#### **Introduction:**

Trade & Investment KwaZulu-Natal's Investment Promotion Business Unit delivers against three primary responsibilities.

These responsibilities include:

- **Investment facilitation** - Assuming responsibility for both domestic and foreign investment attraction and facilitation into KwaZulu-Natal;
- **Destination marketing** - Undertaking the promotion of KwaZulu-Natal as a premier investment destination; and
- **Business retention and expansion** - Providing support and facilitation services with regard to the retention and expansion of businesses throughout the Province.

#### **Investment Facilitation:**

Following both global and national trends, the KwaZulu-Natal Provincial economy - in spite of a brief recession and bleak predictions for 2017 - delivered significant results, reflecting higher than expected Gross Domestic Product growth for the review period.

Following a poor start to 2017, which saw economic activity contract in the first quarter, the economy saw

sustained growth through the remainder of the year, with the fourth quarter experiencing the highest growth rate of the period, expanding by 3,1% quarter-on-quarter.

This strengthening of economic activity during the course of 2017 was driven, partly, by the agricultural sector bouncing back impressively after one of the worst droughts in recent history. Pleasingly, the finance and mining sectors also contributed positively to Gross Domestic Product growth during the review period.

Regrettably, however, low levels of investor confidence, credit rating downgrades and policy uncertainty in 2017 contributed to a net outflow of foreign investment.

Within Trade & Investment KwaZulu-Natal's operating environment, a sharp decline in inbound missions was noted, with the majority of committed projects being as a consequence of domestic investments. Nevertheless, a total of 15 investment projects, collectively valued at R2,18 billion, were committed during the 2017/18 financial year. These investment projects cut across a number of economic sectors, inclusive of agriculture, health-care, manufacturing, property and tourism. These projects are set to bring on stream a total of 3 650 new employment opportunities. A particular highlight of the period under review was the Faratec Modified GRP project, an Iranian project which is to be established within the Richards Bay Industrial Development Zone and which has an investment value of R500 million.

This glass reinforced plastic pipe manufacturing plant will produce some 200 000 metres of pipes per annum and serve markets in, to a large extent, African countries, dealing with the transportation of gas, special process applications and petro-chemical products. Once operational, this business enterprise will create some 250 permanent jobs.

During the course of the 2017/18 financial year, Trade & Investment KwaZulu-Natal signed a Memorandum of Understanding with the National Department of Tourism, which agreement resulted in the appointment of Trade & Investment KwaZulu-Natal as an implementing agent of community-driven tourism projects to the value of R43 million.

These projects include:

- Lilani Hot Springs, located in the Umvoti Local Municipality area;
- The Umhlabuyalingana Hospitality Skills and Tourism Development Programme, in Mbazwana; and
- Bhanga Nek Community Lodge, in Kosi Bay.

The implementation of these projects will follow Expanded Public Works Programme guidelines.

The table overleaf reflects details of the 15 committed investment projects in the 2017/18 financial year.

# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

NO	PROJECT NAME	PROJECT DESCRIPTION	LOCATION	RAND VALUE	POTENTIAL JOBS
1.	Eshowe Private Hospital	Private hospital	Eshowe	R194 million	165
2.	Mbazwana Private Hospital	Private hospital	Mbazwana, Sodwana Bay	R90 million	130
3.	Mfolozi Big 5 Game Reserve	Development of game lodges	Hluhluwe iMfolozi Park	R157,7 million	168
4.	Westfield Mixed-use Development	Development of mixed-use property	Phoenix, Durban	R22 million	46
5.	Jozini Tiger Estate	Development of hotel villas	Jozini	R30 million	250
6.	Mkhende Investments	Establishment of a beef feedlot in Babanango	Babanango	R13 million	16
7.	National Department of Tourism and Trade & Investment KwaZulu-Natal Partnership	A partnership between the National Department of Tourism and Trade & Investment KwaZulu-Natal for the implementation of three tourism projects	Mvoti, Mbazwana, Kosi Bay	R43 million	Jobs to be calculated at project implementation stage
8.	Faratec Modified GRP	Manufacturing of PVC pipes	Richards Bay Industrial Development Zone	R500 million	250
9.	Black Horse Holding	Development of a conference facility with accommodation units	Vryheid	R13 million	28
10.	Joy House Academy	Private school	Jozini, Umkhanyakude	R15,5 million	26
11.	Steinberg Piggery	Piggery production and abattoir	Bergville, uThukela District	R400 million	150
12.	Smarthinkers	Business Process Outsourcing/Call Centre	Durban	R150 million	350
13.	Wilshire Coldstone Ice-Cream	Food and Beverage	Pinetown	R60 million	60
14.	Radiology Centre	Pharmaceutical	Stanger	R9,9 million	11
15.	Overflow	Business Process Outsourcing/Call Centre	Umhlanga, Durban	R480 million	2 000
<b>TOTAL</b>				<b>R2,178 billion</b>	<b>3 650</b>

**Technical Assistance Fund** - The fund exists to assist project promoters in KwaZulu-Natal to package investment projects appropriately to enable qualification for funding by major financial institutions.

The principal objectives of the fund include:

- Assisting project promoters in identified selected priority areas with the development of bankable business plans;
- Assisting in the preparation of project feasibility studies in support of investment proposals which are to be submitted to financial institutions; and
- Addressing a range of technical needs and challenges related to the packaging or preparation of projects for both financing and implementation purposes.

Included are technical viability assessments, financial analyses, market analyses, environmental impact assessments and business plan enhancements. During the year under review, a total of nine projects were approved with Trade & Investment KwaZulu-Natal contributing an

estimated R1,7 million, opening the door to unlocking projects collectively valued at R1,034 billion and the creation of 2 219 new employment opportunities.

Technical Assistance Fund support has been responsible for unlocking projects which have made a positive impact on overcoming development challenges in various economic sectors, inclusive of property development, agro-processing, electronics and business process outsourcing.

From a strategic perspective, Technical Assistance Fund-supported projects have contributed significantly towards import replacement, beneficiation, localisation, rural development and export trade.

**Destination Marketing:**

**Outward Missions** - Trade & Investment KwaZulu-Natal continued its efforts to position the Province as a premier investment destination for foreign direct investments by implementing nine international destination marketing activities.

Countries targeted with such marketing interventions included Ethiopia, Turkey, Spain and the United States of America.

KwaZulu-Natal's aspiration to host the international head offices of investing business enterprises, the beneficial impact of specific sectors, such as business process outsourcing, and the positive economic impact associated with steadily growing direct air connectivity has underscored the organisation's engagements in the majority of targeted countries.

The table below provides detailed information about each outbound mission undertaken.

OUTWARD MISSIONS		
COUNTRY	EVENT NAME	OUTCOME
Ethiopia	KwaZulu-Natal Technical Visit	<p>Ethiopia is the second most populous country in Africa, with a population of more than 90 million people.</p> <p>The country is forecast to become the fastest growing economy in Sub-Saharan Africa, with an average growth rate of 10% in the last decade alone.</p> <p>The mission was undertaken in support of direct flights between Durban and Addis Ababa, which were subsequently curtailed.</p> <p>The visit included engagement with the Addis Ababa Chamber of Commerce and Sectoral Associations, which has a trade and investment promotion department responsible for facilitating international engagements.</p> <p>Meetings were also held with the Ethiopian Tourism Organisation.</p> <p>Ethiopia remains a key economic prospect for KwaZulu-Natal and presents ongoing opportunities for engagement</p>
Spain	World Routes 2017 Conference Barcelona and the KwaZulu-Natal Business Seminar	<p>The KwaZulu-Natal Route Development Committee participated in the World Routes 2017 Conference, at which the team met with existing airline partners and other airlines to negotiate direct flights to Durban</p> <p>Trade &amp; Investment KwaZulu-Natal facilitated a business round-table engagement, in partnership with the Catalan Trade &amp; Investment Agency, at which the KwaZulu-Natal team engaged with the entity and interacted with its affiliated companies.</p> <p>The autonomous region of Catalonia, which has Barcelona as its major city, shares many economic parallels with KwaZulu-Natal.</p> <p>Logistics and manufacturing, together with the automotive sector, are amongst key drivers</p>



# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

OUTWARD MISSIONS		
COUNTRY	EVENT NAME	OUTCOME
Turkey	KwaZulu-Natal Technical Visit and the KwaZulu-Natal Business Mission to Ankara and Istanbul	<p>Turkey is one of the world's top 20 economies and in spite of a slow-down post-2011, it remains an important trade and investment partner for KwaZulu-Natal and South Africa. Following an initial technical visit, undertaken in support of direct flights between Durban and Istanbul, the follow-up business mission included five KwaZulu-Natal companies and entailed two activities, namely the Turkey-Africa Co-operation Summit in Ankara and the KwaZulu-Natal Business Seminar in Istanbul, in partnership with the Turkish Foreign Economic Board.</p> <p>Trade &amp; Investment KwaZulu-Natal and participating delegates secured a number of significant meetings with stakeholder organisations and individual companies. Noteworthy amongst these was Arcelik, the holding company of Defy, one of the Province's larger employers. Participants also secured affirmative leads with potential partners, with one company having already concluded agreements</p>
United States of America	KwaZulu-Natal Investment and Trade Road-show	<p>The organisation undertook an investment and trade road-show to the USA, which provided for business seminars, round-table discussions and business meetings in Baltimore, Maryland; New York City; Houston, Texas and Los Angeles. Major chambers, trade and investment stakeholder organisations in these cities supported Trade &amp; Investment KwaZulu-Natal in facilitating these meetings, which also included businesses which had displayed an interest in investing in South Africa generally and KwaZulu-Natal specifically.</p> <p>Engagement feedback proved overwhelmingly positive. The USA remains the largest source of foreign direct investment globally and an appetite for investment in South Africa was especially evident. The team secured three positive leads for investment in the hotel sector and in the manufacture of beauty products. Both project owners are to visit KwaZulu-Natal</p>

**Inward Missions** - The 2017/18 financial year saw an unfortunate reduction, albeit slight, in the number of inward missions to KwaZulu-Natal, when compared against previous years.

United Kingdom, China and Germany, as well as in-bound delegations from Africa and other emerging markets, such as Ghana, Mauritius, Turkey, Indonesia, Thailand and Australia were hosted.

A total of 17 inward missions from the world's key global role-players, such as the United States of America, the

INWARD MISSIONS		
COUNTRY	EVENT NAME	OUTCOME
Australia	Product Sourcing Mission	<p>Coles Supermarkets, of Australia, sought to source products in South Africa. Trade &amp; Investment KwaZulu-Natal hosted Ms Sarah Bryant, the company's Sourcing Lead, during an introductory visit to KwaZulu-Natal.</p> <p>The Export Development and Promotion Unit participated in discussions and provided the organisation with information and catalogues reflecting potential products</p>
China	Multi-sector Visits	<p>Trade &amp; Investment KwaZulu-Natal hosted several delegations from China during the course of the financial year.</p> <p>These included a visit by the Vice Premier, Ms Liu Yandong, as part of a high-level people-to-people exchange mechanism, a delegation from Hubei Province, in support of an investment by GEM Co. Ltd, and a delegation which included the Board of Directors for a multi-smelter project, which is to be based in Ladysmith</p>

INWARD MISSIONS		
COUNTRY	EVENT NAME	OUTCOME
European Union Delegation	Circular Economy Dialogue	As part of the World Economic Forum on Africa, staged in Durban, Trade & Investment KwaZulu-Natal provided support with regard to the hosting of a European Union delegation at a one-day seminar, undertaken on the fringes of the World Economic Forum on Africa, in May 2017
Indonesia	Trade and Tourism Promotion	Trade & Investment KwaZulu-Natal's executive hosted a round-table discussion with the Ambassador of Indonesia to South Africa, together with the Indonesia Commercial Centre, to discuss two-way trade and the promotion of a reciprocal visa-free relationship with the country. South Africans currently do not require a visa for travel to Indonesia. Their visit to Durban was also utilised to promote the annual Indonesia Trade Exhibition
Germany	State of Saxony High-level Visit	Trade & Investment KwaZulu-Natal, working in partnership with the Durban Chamber of Commerce and Industry, hosted a multi-sectoral mission, led by the State Minister of Saxony, Mr Martin Dulig, and which included 25 public sector representatives and private companies in April 2017. The session comprised both presentations and one-on-one business meetings
Ghana Inbound Delegation	Multi-sectoral Trade and Investment Delegation	In May 2017, Trade & Investment KwaZulu-Natal co-ordinated and facilitated a multi-sectoral trade and investment delegation from Ghana, which was led by the South African High Commissioner to Ghana, Ms Lulama Xingwana, and comprised heads of entities and companies from Ghana
Mauritius	Export Development	Enterprise Mauritius hosted a trade promotion meeting, in partnership with Trade & Investment KwaZulu-Natal and the Durban Chamber of Commerce and Industry, in May 2017, which formed part of an annual engagement in South Africa
Thailand	Automotive Benchmarking and Co-operation Visit	Trade & Investment KwaZulu-Natal hosted members of the Board of Investment of Thailand, who were accompanied by Bolinger & Company Thailand, a consulting firm. The purpose of the mission was to conduct a benchmarking exercise in the automotive and chemicals sectors and to identify opportunities and synergies within the automotive sector
Turkey	Multi-sector Visits	Several missions were hosted from Turkey during the 2017/18 financial year. These included an automotive sector mission from Konya, Turkey's largest province, a carpet exporters delegation from South Anatolia, the world's largest centre for carpet manufacturing, and an electronics company, focused on white goods for supply to companies such as Defy, Kelvinator, KIC and Samsung, looking to establish operations in KwaZulu-Natal
United States of America	US National Security Council's Visit	Trade & Investment KwaZulu-Natal hosted a round-table discussion with Col. Adrian Bogart, from the US National Security Council in the White House. The meeting focused on strengthening USA trade initiatives with KwaZulu-Natal and included Ms Sherry Sykes, the US Consul-General to Durban and her Consular team, representatives from the State Department and USAID in Washington DC, as well as the Trade and Investment Officer from the US Embassy in Pretoria. Four alumni from US Government development programmes also participated in the engagements
United Kingdom	UK Trade Envoy's Visit	Trade & Investment KwaZulu-Natal hosted the United Kingdom Prime Minister's Trade Envoy for South Africa, Mr Andrew Selous, together with UK International Trade's Southern Africa Trade Director, Ms Elena Williams, UK Trade & Investment Advisor on Overseas Direct Investment, Ms Heather Abbey, and Ms Raksha Maharaj, Trade and Investment Advisor for the UK Department of International Trade. Discussions explored areas of co-operation, as well as the UK Government's pilot project promoting overseas direct investment, such as UK investment into key countries, of which South Africa is one

# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

INWARD MISSIONS		
COUNTRY	EVENT NAME	OUTCOME
Multi-source Markets	Essence Festival Durban	Trade & Investment KwaZulu-Natal participated in the Essence Trade and Investment Networking Session, hosted in conjunction with the Durban Chamber of Commerce and Industry and eThekweni Municipality, for the benefit of a multi-sectoral trade delegation, comprising representatives from the USA, Nigeria, Kenya, Lesotho, Cameroon, Ghana, Botswana, Mozambique, Zambia and Zimbabwe

### Business Retention and Expansion:

The organisation strives continuously to develop and implement programmes designed around retaining and expanding both foreign and domestic investments in KwaZulu-Natal. These programme interventions enable established businesses to improve their profitability and to reaffirm their commitment to remaining invested in the Province.

Given prevailing National and Provincial low levels of economic growth, a number of KwaZulu-Natal-based industries showed signs of business distress, with some resorting to business rescue processes, whilst others opted for partial closure or relocated operations. Some, regrettably, were left no option but to completely shut-down their operations.

Companies which followed restructuring processes during the review period included Glodina, in Hammarisdale, Dairy Day, in Howick and Allwear Clothing, in Newcastle. A number of other companies were affected by community protests, resulting in their being unable to continue business operations for a period of time, resulting in a loss of revenue and, in some instances, a loss of market-share. This included a number of operations in Cato Ridge and Isithebe Industrial Park.

**KwaZulu-Natal Disinvestment Study** - Trade & Investment KwaZulu-Natal commissioned a study to investigate and obtain first-hand information about the reasons for and impact of disinvestment which occurred in KwaZulu-Natal during the period 2010 to 2016 and to identify sectors deemed especially vulnerable.

The study was completed during the third quarter of the 2017/18 financial year. It found that some 125 medium- and large-sized enterprises were identified as either being 'in distress' or 'closed' during the review period. KwaZulu-Natal-based companies which disinvested represented approximately 6,33% of the Companies and Intellectual Property Commission national total. The actual number of businesses which undertook some form of disinvestment during this period is, however, likely to be greater than 125

medium- and large-sized enterprises, given non-disclosure of disinvestment activities by some enterprises, coupled with the absence of data on companies which had already shut-down.

Businesses under stress generally look to Government for support.

While it is not always possible to influence all the factors affecting businesses, there are a number of interventions which may be given consideration in an effort to improve the business climate and reduce the rate of disinvestment from a region.

Generally, responsive strategies to disinvestment or to enterprises in distress have taken the form of recommendations focused on policy interventions, education, training and mentorship, business support, access to finance and access to business rescue programmes.

Trade & Investment KwaZulu-Natal intends utilising the findings and recommendations of the KwaZulu-Natal Disinvestment Study to improve its service offering.

**Company Retention and Facilitation Services** - In support of business expansion initiatives, Trade & Investment KwaZulu-Natal facilitated R1,26 billion in company expansion projects with 2 264 new employment opportunities being created by affected businesses.

This was achieved through collaborations and strategic support from the organisation's strategic partners, such as industry associations, Municipalities, development finance institutions and the dti.

Company expansions were realised in the manufacturing sector's white goods industry, agri-business industry, metals and engineering industry, automotive industry and call centre industry.

The table opposite depicts expansion projects which occurred during the 2017/18 financial year.

NO	NAME OF COMPANY	SECTOR	LOCATION	JOBS	VALUE
1.	Sacks Packaging	Manufacturing - Packaging	Mobeni	200	R585 million
2.	Kraft Investments	Manufacturing - Fireworks	Hammarisdale	110	R91,6 million
3.	Alkreem	Manufacturing - Plastic pellet recycling operations	Isithebe	120	R66 million
4.	Rocky Brands	Manufacturing - Chemicals	Mount Edgecombe	75	R56,7 million
5.	Whirlpool	Manufacturing - White Goods	Mandeni	192	R50 million
6.	East Coast Boards	Manufacturing - Boards	Pinetown	60	R50 million
7.	Siyakha Imperial	Manufacturing - Flexi Packaging Printers	Mount Edgecombe	50	R50 million
8.	Centwise	Recycling - Base Oil and Grease	Mobeni	23	R47,7 million
9.	Wegro Pineapple	Agri-business - Pineapples	Hluhluwe	200	R32 million
10.	Sealtron	Manufacturing - Electrical Cable Harnesses	Durban	45	R30 million
11.	SNS Concrete Blocks	Manufacturing - Cement Building Products	Isithebe	120	R30 million
12.	Al Mazbar Abattoir	Agri-business - Abattoir and Cattle Farm	Thornville	60	R30 million
13.	Sabi Switchboards	Manufacturing - Electrical Switchboards	Westmead	20	R27,7 million
14.	Richsteel Properties	Property - Acquisition, Development and Leasing	Newcastle	0	R20,6 million
15.	First Call	Call Centre Services	River Horse Valley	744	R9,5 million
16.	Sanichem	Manufacturing - Medical Disinfectants	Springfield Park	30	R6,7 million
17.	GPR Plastics	Manufacturing - Plastic Plumbing Parts	Isithebe	5	R5 million
18.	Rock Solid Industries	Manufacturing - Automotive Canopy	Westmead	13	R3,3 million
19.	Webroy Springs	Manufacturing - Automotive Wire and Seat Components	Pietermaritzburg	85	R2,1 million

### Business Linkages and Company Support

**Interventions** - Trade & Investment KwaZulu-Natal, in collaboration with strategic partners, utilised key platforms to support KwaZulu-Natal-based companies realise business development opportunities.

Interventions included identifying potential dynamic business partners capable of facilitating new expertise, identifying new technologies applicable in specific sectors and encouraging linkages between small-scale and large-scale business enterprises.

A pleasing 49 companies were assisted with such business linkages. Platforms used included, but were not limited to, Decorex 2017, Africa Big 7, Source Africa 2017, Africa Health 2017, the KwaZulu-Natal Manufacturing Indaba 2017, the Chemicals Imbizo 2017, the SA Automotive

Week 2017 and SA Automechanika 2017. Assistance to companies included the arrangement of business-to-business meetings with visiting inward delegations.

**Business Turn-around Solutions** - Trade & Investment KwaZulu-Natal assisted no fewer than 17 locally-based companies with business turn-around solutions. This entailed actively supporting identified companies to access the PUM and PSA programme.

These programmes enable the provision of expert consultants with technical industry experience and knowledge, to guide companies through the process of improving efficiencies and the strategic planning behind operations.

Rolling-out the programme involves expert consultants

# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

being based within an identified factory for a two-week period in order to study areas of operational efficiency which might be improved upon. The programme has brought exceptional benefits to KwaZulu-Natal-based companies, enabling participating enterprises to reduce losses, increase productivity and boost efficiency, thus increasing their overall competitiveness within the business environment.

**Municipality Business Retention and Expansion Programmes** - The acclaimed Municipality Business Retention and Expansion Programme, adapted for the South African business environment, aims at creating a healthy, inclusive, sustainable and enterprising business community within each of the Province’s Municipal areas.

Programme success is dependent upon its implementation in conjunction with other development initiatives geared towards support for local business retention, expansion and the creation of new employment opportunities.

During the period under review, Trade & Investment KwaZulu-Natal commenced implementing a total of

seven business retention and expansion programmes within KwaZulu-Natal. Participant Municipalities included eThekweni (Dube TradePort), Ugu Municipality (in collaboration with the Ugu South Coast Development Agency for the Margate location), Inkosi Langalibalele Local Municipality, Umdoni Local Municipality, Newcastle Local Municipality, Mpofana Local Municipality and the Umhlatuze Local Municipality.

## 11.3 EXPORT DEVELOPMENT AND PROMOTION

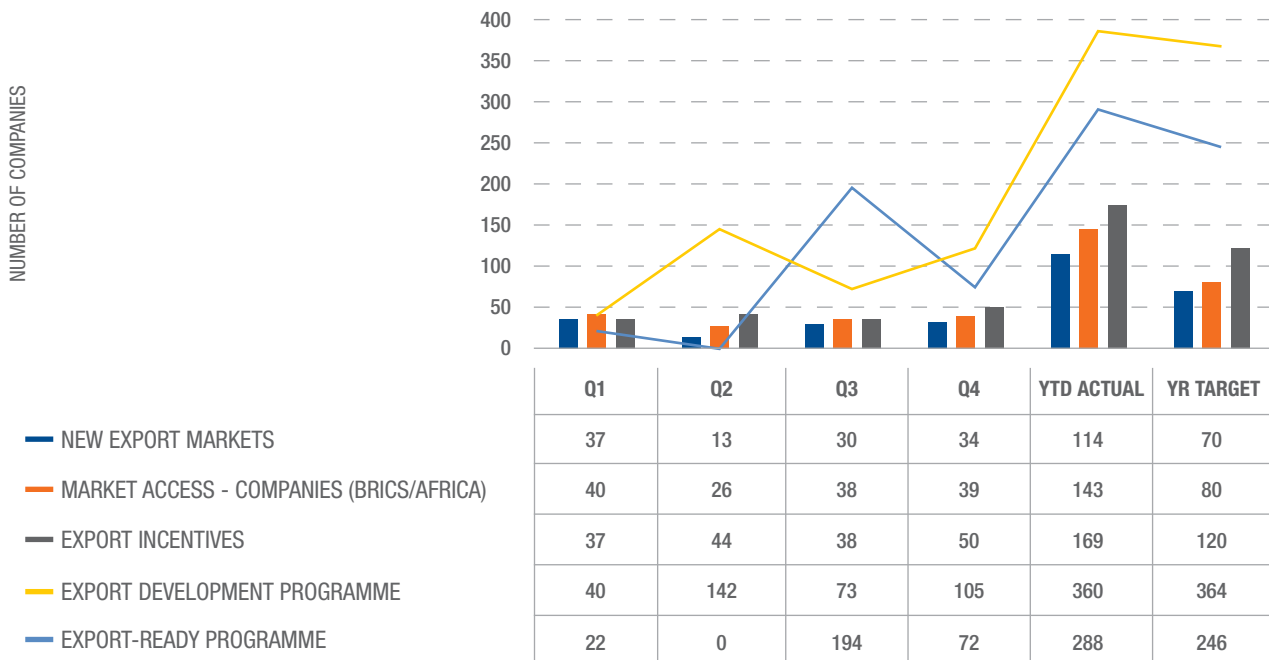
### Export Promotion Activities:

Trade & Investment KwaZulu-Natal’s Export Development and Promotion Business Unit is geared to assisting local businesses to improve their access to available export markets.

During the 2017/18 financial year the unit excelled in its task of creating export opportunities for KwaZulu-Natal-based companies, introducing businesses to relevant and appropriate markets and facilitating business access to incentives, as well as training and building capacity amongst emerging, existing and seasoned exporters.

### Percentage of Real Gross Domestic Product

#### EDPU PERFORMANCE INDICATORS 2017/18



The organisation was particularly successful in facilitating access to and securing approval of both Provincial and National export incentives on behalf of KwaZulu-Natal-based business operations. A total of 169 local companies were assisted in this way, exceeding the set annual target

by 49 business operations.

In terms of activities undertaken to expose prospective exporters to the export environment, the table opposite indicates events utilised during the period under review.



NO	EVENT	DATE	NUMBER OF COMPANIES	SECTORS
1.	PUM Mentorship Support	April 2017 to March 2018	7	Multi-sector
2.	NAACAM 2017	5 - 6 April 2017	10	Automotive sector
3.	Africa Big 7	25 - 27 June 2017	8	Food and Beverage sector
4.	MSR China 2017	21 - 24 September 2017	12	Multi-sector
5.	KwaZulu-Natal Export Week 2017 (B2B for foreign delegates)	16 - 17 October 2017	15	Multi-sector
6.	Destination Africa 2017, Egypt	11 - 12 November 2017	3	Clothing and textile sector
7.	Gulfoods 2018	18 - 22 February 2018	5	Food and Beverage sector
8.	Africa Energy Indaba	20 - 21 February 2018	6	Multi-sector
9.	IKEA Sourcing Project 2018	5 March 2018	7	Multi-sector
10.	Trade Mission to Zambia	5 - 8 March 2018	11	Multi-sector
11.	Ghana International Trade Fair and Outward Selling Mission	28 Feb - 8 March 2018	8	Multi-sector

### Export Support Tools:

During the review period two export support tools, made available to local companies, proved exceptionally popular within KwaZulu-Natal's business community.

They included the KwaZulu-Natal Export Information Portal and the Trade Decision Support Model.

**KwaZulu-Natal Export Information Portal** - During the financial year, Trade & Investment KwaZulu-Natal attracted 15 524 unique visitors to the site, with individuals accessing a wide variety of export-related information, ranging from Incoterms, HS-codes, exporters, information about various trade blocks, export products, export service providers and the like.

The portal currently hosts 185 verified and vetted companies which are displaying their range of products or services.

**Trade Decision Support Model** - In terms of the Trade Decision Support Model, a total of three training courses were undertaken, assisting to capacitate the users of the Decision Support Model tool in order that they might provide locally-based business enterprises with accurate information regarding export opportunities in various markets.

More than 150 Trade Decision Support Model reports were developed and disseminated to clients to provide companies with a focused approach to pursuing opportunities in identified markets and outlining Rand/Dollar-based opportunities, size and competition.

Highlights of the financial year included:

- **The Inaugural Vision 2030 Awards** - The announcement of the 2017 awards category finalists saw Durban businessman and Chief Executive Officer of the company responsible for designing and building the award-winning advanced technology ADEPT range of

aviation engines, Mr Richard Schulz, being nominated a finalist for the 'Change Driver' Award. The company was supported by Trade & Investment KwaZulu-Natal in this initiative;

- **WorldStar Awards** - Trade & Investment KwaZulu-Natal facilitated the attendance of Wave Paper at the WorldStar Awards, held at the commencement of Interpak 2017 in Germany between 04 and 10 May 2017.

The company was presented with the prestigious WorldStar Award for its innovations in product development;

- **Ghana Inward Delegation** - On 23 May 2017 the Ghana/South African Chamber of Commerce, in collaboration with KwaZulu-Natal stakeholders, hosted a conference and business-to-business session for more than 60 delegates.

A presentation providing an overview of trade was delivered by Trade & Investment KwaZulu-Natal.

The Ghanaians were invited to participate in both the African Chemical Imbizo on 16 and 17 August 2017 and the KwaZulu-Natal Export Week 2017 event, both in Durban.

- **Maritime Silk Road 2017 International Expo** - A road-show promoting the Maritime Silk Road 2017 Expo was held at the Durban International Convention Centre and was attended by well in excess of 62 interested individuals.

The organisation then also co-ordinated a National Pavilion in Dongguan, China, for more than 50 exporters between 19 and 26 September 2017. KwaZulu-Natal was represented by 13 companies.

A permanent exhibition is available for South African companies to showcase and promote their products to Chinese markets, which forms part of China's Road and Belt Strategy to improve international trade.

# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

• **Markets Opened** - Board Express has successfully accessed a market in Ghana and has delivered its first container. The company has been an active participant in Trade & Investment KwaZulu-Natal's export development and promotion programmes. The market access opportunity emerged following engagements held with Ghanaian delegates who attended the KwaZulu-Natal Export Week 2017.

**Export Development:**

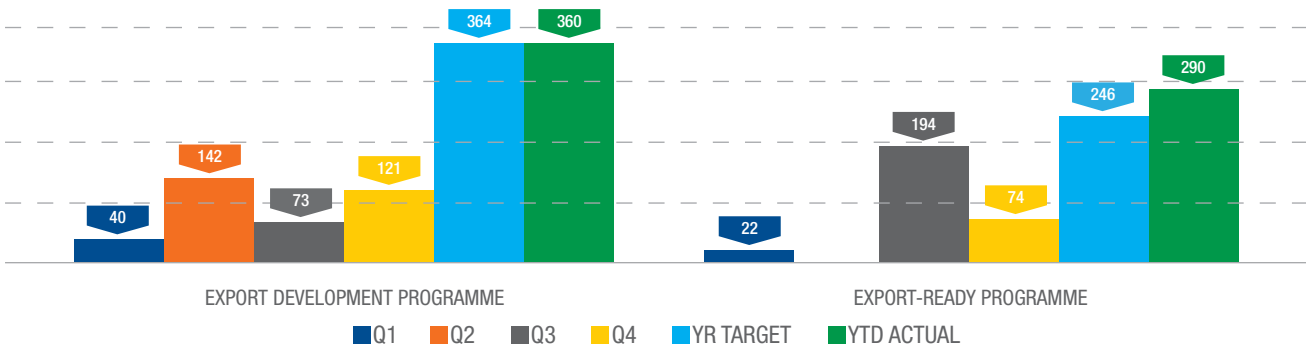
During the review period, Trade & Investment KwaZulu-Natal rolled-out several training and capacity-building programmes aimed at both emerging and existing exporters. The organisation successfully facilitated access for some 360 companies to emerging exporter training and

development. Pleasingly, a four-month Emerging Exporter Graduation Programme culminated in the graduation of 27 emerging exporters during the 2017/18 financial year.

In terms of its Existing Exporter Development Programme, Trade & Investment KwaZulu-Natal facilitated the training of representatives of 290 companies, who have also attended relevant workshops.

An Advanced Exporter Training Programme, undertaken over four intense sessions, was also offered by Trade & Investment KwaZulu-Natal. A total of 31 companies attended these sessions, with three attending all four. Representatives of these companies are to receive graduation certificates.

**Export Development Performance 2017/18**



**Export Development Initiatives:**

Several export development initiatives were rolled-out by Trade & Investment KwaZulu-Natal during the 2017/18 financial year. These included:

- A digital marketing 'Boot Camp,' which was offered to 33 local companies and which focused on exposure to digital marketing and the effective and efficient management of their websites;
- A focused presentation by Shepstone & Wylie on the Customs Control Act 31 of 2014, as well as the implementation of the Customs Control Management Act;
- A Sourcing Project by IKEA, which was attended by nine identified and selected companies. These enterprises were informed of the specific requirements necessary for supplying IKEA with products internationally and co-ordinated from the business giant's head-office in Sweden; and
- A Threads Tour, comprising a series of presentations and held at Dube TradePort on 20 March 2017, was attended by eight business representatives from the clothing, textile and sewing sectors keen to learn more about the various aspects of exporting.

**International Mentorship:**

In conjunction with the Programma Uitzending Managers ('Manager Deployment Programme' or PUM), Trade & Investment KwaZulu-Natal was responsible for co-ordinating a follow-up visit to the Netherlands between 03 and 10 February 2018, involving eight KwaZulu-Natal-based companies.

This was the first of its kind to be co-ordinated by the PUM Programme.

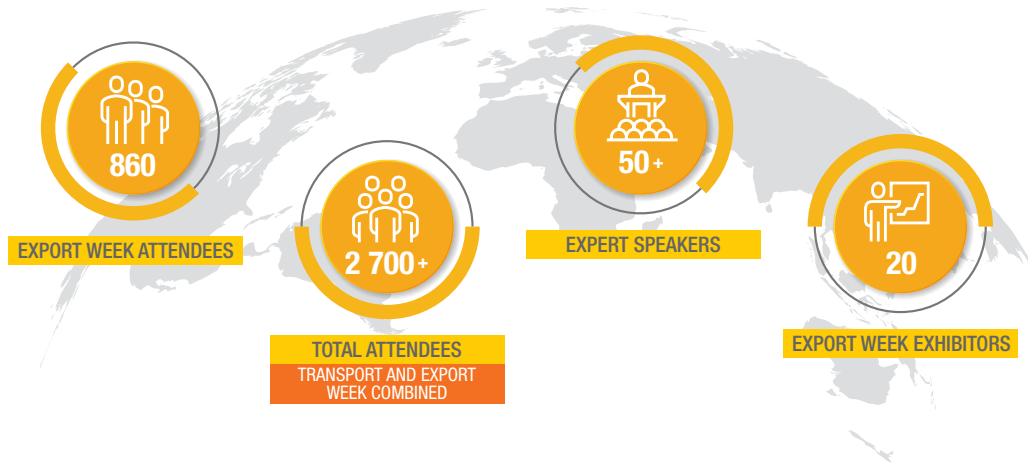
Further such planned initiatives are being sought.

In addition, during the review period Trade & Investment KwaZulu-Natal signed a Memorandum of Understanding with the Swiss Import Promotion Organisation, SIPPO.

In terms of this, Trade & Investment KwaZulu-Natal has become a Business Support Organisation, which will look at internal capacity-building to support exporters, whilst also developing a programme of activities for KwaZulu-Natal-based exporters active in the processed foods and natural ingredients sectors.

## KwaZulu-Natal Export Week:

### ATTENDEE OVERVIEW



### COUNTRIES REPRESENTED



### EXPORT WEEK EXHIBITORS



# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

## 11.4 KNOWLEDGE MANAGEMENT

The 2017/18 financial year saw the Knowledge Management Business Unit develop 22 knowledge outputs in the form of sector analyses and fact sheets, which were developed and disseminated to both internal and external stakeholders.

The unit was also responsible for contributing to the development of 10 packaged investment opportunities. Work was also undertaken in the field of export development and promotion, with 17 product and market

opportunity studies being actively developed by the business unit.

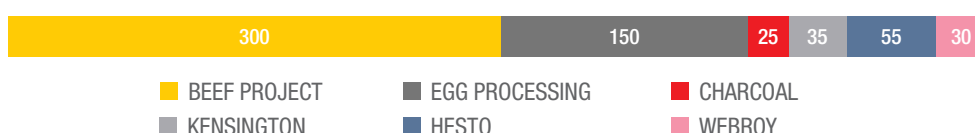
In addition, a total of eight dialogue forums were hosted and through which packaged research was disseminated to both internal and external stakeholders.

### Project Packaging:

The table below details the packaged projects for which Trade & Investment KwaZulu-Natal was responsible - with project promoters - for packaging during the period under review.

NO	NAME	DESCRIPTION	VALUE
1.	Kensington Conference and Wedding Venue - Bishopstowe, Pietermaritzburg	The project comprises the development of a conference, accommodation and wedding venue in the Bishopstowe area. The project is owned by Ms Nobuhle Mchunu. The business plan was completed in March and the Industrial Development Corporation and National Empowerment Fund have been approached to consider funding models	R35 million Jobs to be created = 15
2.	Hesto Harnesses	A business plan was developed for Printed Circuit Board for the automotive sector. This is part of a localisation strategy for automotive component manufacturing. The project will provide an opportunity for a Black industrialist to partner with Hesto Harnesses	R55 million Jobs to be created = 20
3.	Webroy	A business plan was developed for the manufacturing of two product lines, being seat frames and seat cushions. This is part of a localisation strategy for automotive component manufacturing. The project will provide an opportunity for a Black industrialist to partner with Webroy	+R30 million Jobs to be created = 10
4.	KZN Beef Project	This project is in response to an increase in beef demand from China and the opportunity to develop local beef producers. It provides an opportunity for Black entrepreneurs to establish vertical integrated beef enterprises which will participate throughout the beef value chain, from feedlot to retail, as part of the Radical Agrarian Socio-Economic Transformation programme. This is a Government-driven project (KwaZulu-Natal Department of Agriculture and Rural Development)	R300 million
5.	Egg Processing Project	This is a start-up project which will include both an egg farm and an egg processing plant. The project will be based in the KwaZulu-Natal Midlands. It is currently at the business planning and capital raising stage. This is a Level 1 B-BBEE project and is to be handed over to Investment Promotion in the first quarter of the 2018/19 financial year	R150 million
6.	Charcoal Project	This is a start-up project and involves the cutting and culling of over-populated indigenous trees in the Ngwavuma area and burning them in kilns to create charcoal. The project value is R25 million and it will create 20 permanent jobs. This is a Level 1 B-BBEE project and is to be handed over to Investment Promotion in the first quarter of the 2018/19 financial year	R25 million Jobs to be created = 20

# +R595 MILLION



# +65 JOBS CREATED

The Knowledge Management Business Unit's packaged projects were poised to generate more than R595 million

in investment and create in excess of 65 new permanent employment opportunities.

HIGH IMPACT PROJECTS			
NO	NAME	DESCRIPTION	PROGRESS
1.	KZN Halaal Hub	The development of the KwaZulu-Natal Halaal Hub is a long-term initiative requiring a range of interventions before consideration is given to developing the physical infrastructure. The findings of a feasibility study, commissioned by Trade & Investment KwaZulu-Natal in 2015, indicates the need for such a development and is supported by global statistics regarding the growth of the Halaal Industry during the next 20 years	<ul style="list-style-type: none"> <li>• Formation of a Project Steering Committee</li> <li>• Stakeholder identification and participation</li> <li>• Development of a strategic implementation plan</li> <li>• Engagements with the Department of Economic Development, Tourism and Environmental Affairs for political and funding support</li> </ul>
2.	Electronic Refurbishment Centre	This project was based on a recommendation from the Value Chain Electronic Study, undertaken by B&M Analyst and commissioned by eThekweni Municipality. In summary, the project aims to refurbish used electronic goods, such as mobile phones, tablets, laptops/computers, white goods and the like for export to Sub-Saharan and other parts of Africa	<ul style="list-style-type: none"> <li>• Concept document completed and presented to relevant stakeholders within the Province</li> <li>• Engagement with relevant stakeholders to form a Project Steering Committee</li> <li>• Developed terms of reference for business plan development</li> <li>• Engagement with the Department of Economic Development, Tourism and Environmental Affairs for political and funding support for business plan development</li> </ul>

### Industrial Symbiosis:

Industrial symbiosis concerns the inter-relationship between traditionally separate firms and industries whose mutual co-dependency involves co-operative waste management and utilisation and the physical exchange of materials.

Its success is predicated on collaboration between companies, who are often connected by geographic

proximity and by an overarching desire to share information and resources to limit environmental degradation. Within this arrangement, waste is regarded as a valuable resource which is used to dramatically reduce input costs and the resultant resource utilisation ensures that one company's waste stream becomes another one's raw material input.

The table below outlines some of the projects:

NO	NAME	DESCRIPTION
1.	Food Waste	The food waste to compost project involved collaboration with the Spar Group. Waste is diverted from landfill and the project provides opportunities for local entrepreneurs to engage with the fast-growing waste economy
2.	Bulk Bag Refurbishment	Bulk Bag Refurbishment is a project which is looking at the establishment of a value chain within Custom Bulk Bag's existing business model. Custom Bulk Bag is 61% owned by Hosken Consolidated and they manufacture 140 000 bulk bags (500kgs to 2 tons) every month, of which 25 000 can be recovered, beneficiated and reutilised further down the value chain. This project allows synergies to be formed with Custom Bulk Bag and other players who are part of the entire packaging and distribution value chain
3.	Refuse Derived Fuel	The Refuse Derived Fuel Project has forged a partnership wherein Interwaste will convert waste from Unilever into fuel which Natal Portland Cement will be able to use to power its operations



# 11 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

Research Conducted by the Knowledge Management Business Unit:







- A** Globalisation of Halaal standards, trends in BPO, vegetables, mushrooms, fruit and poultry
- B** Steel pipes, chromium, beauty-care, synthetic hair, swim-wear, synthetic staple fibres - polypropylene, toilet linen, kitchen towelling and goat meat
- C** Logistics, electric vehicles, residences for the aged, swim-wear, student accomodation, electronic refurbishment, beauty-care, electronic value chain, goat, mushrooms, fruit and vegetables
- D** Africa, A re-think of its investment possibilites, China: time to forge links with a crucial partner. Why the downgrade to junk status matters. Making sense of global investment trends. The GDP debate. The new economy. The fourth Industrial Revolution.
- E** Tanzania, Ghana, Rwanda, India, China, USA (Florida), Vietnam, COMESA trade bloc, Germany, Uganda, Kenya and the Balkans

**Information Systems:**

Trade & Investment KwaZulu-Natal's information communication technology function is regarded as a core

enabler for the organisation to achieve its vision, mission and objectives. During the year under review, the following projects where implemented by the organisation's IT function:

 <p><b>COLLABORATION AND COMMUNICATIONS</b></p> <ul style="list-style-type: none"> <li>- BOARDPACK SOLUTION</li> <li>- MICROSOFT OFFICE 365</li> <li>- HOSTED PABX</li> </ul>	 <p><b>BUSINESS EFFECTIVENESS AND CONTROL</b></p> <ul style="list-style-type: none"> <li>- CEO'S DASHBOARD</li> <li>- ASSET VERIFICATION SYSTEM</li> </ul>	 <p><b>PROJECT TRACKING, REPORTING AND MINI CRM</b></p> <ul style="list-style-type: none"> <li>- PROJECT TRACKING TOOL</li> <li>- ROLL-OUT OF MINI CRM FOR INVESTMENT PROMOTION UNIT</li> </ul>	 <p><b>EVENTS SUB-SITE WITH ONLINE REGISTRATION TOOLS</b></p> <ul style="list-style-type: none"> <li>- EXPORT WEEK</li> <li>- ONE-STOP-SHOP</li> </ul>
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**11.5 GAUTENG OFFICE**

Trade & Investment KwaZulu-Natal's Gauteng Office assumes responsibility for recruiting investment to and promoting trade in KwaZulu-Natal from beyond the Province. It markets the Province to both domestic and international companies and develops working relationships with embassies, foreign missions located in Pretoria, trade offices, funders and other relevant stakeholder bodies.

Leads generation is defined as the pursuance and/or acquisition of opportunities by an investment promotion practitioner, in the form of Greenfield development, expansions, Brownfield development or joint ventures, derived through either proactive or reactive engagement with stakeholders, strategic partners or project promoters.

This facility remotely promotes business development (lead generation), stakeholder management and destination marketing.

Investment leads produced during the 2017/18 financial year emanated from South Africa, Germany, China, Hungary, India, Italy, Canada, the United Kingdom, Slovakia, the Netherlands and the United States of America. In addition, export leads were created from Sweden, Switzerland, Oman, Brazil, Thailand, the Czech Republic and China.

**Qualified Leads Generated:**

During the review period the Gauteng Office generated and presented 61 business leads, against a target of 45.

Leads were generated across a range of sectors, inclusive of:

- Automotive component manufacturing;
- Infrastructure development;
- Medical equipment;
- Renewable energy infrastructure;
- Resource processing;
- Furniture and home-ware supplier base for exports;
- Food exports;
- Agriculture, food processing and exports; and
- Construction.

#### Delegations:

Working against a target of eight, the Gauteng Office referred 13 delegations to KwaZulu-Natal from the European Union, Thailand, Djibouti, eSwatini and Singapore during the period under review.

A major highlight of the financial year included a visit by 42 multi-national companies to Richards Bay in partnership with Africa House in order to view the seaport and a number of potential investment opportunities.

#### Hosted Sessions:

In line with its mandate of building KwaZulu-Natal's image as a preferred investment and trade destination, the Gauteng office hosted 16 events with international organisations, trade offices and bilateral chambers, against a target of 12 for the financial year.

These multi-sectoral events and presentation opportunities were conducted in partnership with a number of international community partners, inclusive of the:

- Spanish Chamber of Commerce;
- Minara Chamber of Commerce;
- ABSA;
- Nordic South African Business Association;
- Australian Business Club;
- Access Africa Channel;
- South African Netherlands Chamber;
- SA Instrumentation and Control;
- Lithuania Embassy;
- Dutch Embassy;
- Intergest; and
- Tutwa Consulting.

International delegations hosted in Gauteng included:

- Health delegations from New York and Illinois, hosted in partnership with Zurcom;
- Chengdu delegations sourcing agricultural products from South Africa, hosted in partnership with the Gauteng Growth and Development Agency;
- An automotive component delegation, hosted in partnership with Afrika-Verein, from Germany; and
- A Saarland multi-sectoral delegation, hosted in partnership with Intergest.

Major highlights included:

- An International Organisations Event, which was attended by Ambassadors, trade commissioners and international organisation representatives from 115 countries, together with the KwaZulu-Natal Provincial MEC for Economic Development, Tourism and

Environmental Affairs, Mr Sihle Zikalala, and the Head of the Planning Commission, Mr Frikkie Brooks, who delivered a comprehensive overview of the Province;

- An Economic Partnership Agreement business networking function, which was hosted in partnership with the European Union Delegation of South Africa. A number of KwaZulu-Natal-based companies exhibited food products to European business, with a view to exporting products to the European Union duty-free;
- A speakership opportunity, dealing with investment opportunities and support services, was afforded to the organisation during the Southern African Development Community Industrialisation Week; and
- CoCreateMYCITY Durban, an initiative by the Embassy of the Kingdom of the Netherlands to co-create sustainable smart solutions to urban challenges in the city of Durban, brought together business, Government and knowledge institutes in November 2017 for workshops and discussions about Durban as a City of the Future. Trade & Investment KwaZulu-Natal is a major partner in the initiative and assisted with roll-out and sponsorship with regard to networking at the event.

#### Sector-based Events Hosted:

The Gauteng Office was responsible for hosting 14 (target: 10) sector-based events in Gauteng, in association with relevant Trade & Investment KwaZulu-Natal business units, as a means of highlighting the KwaZulu-Natal value proposition to interested business enterprises.

Such events were undertaken within a range of sectors, inclusive of automation, the circular economy, health and pharma, agriculture, electronics and property development. Others were multi-sectoral in nature. Highlights included:

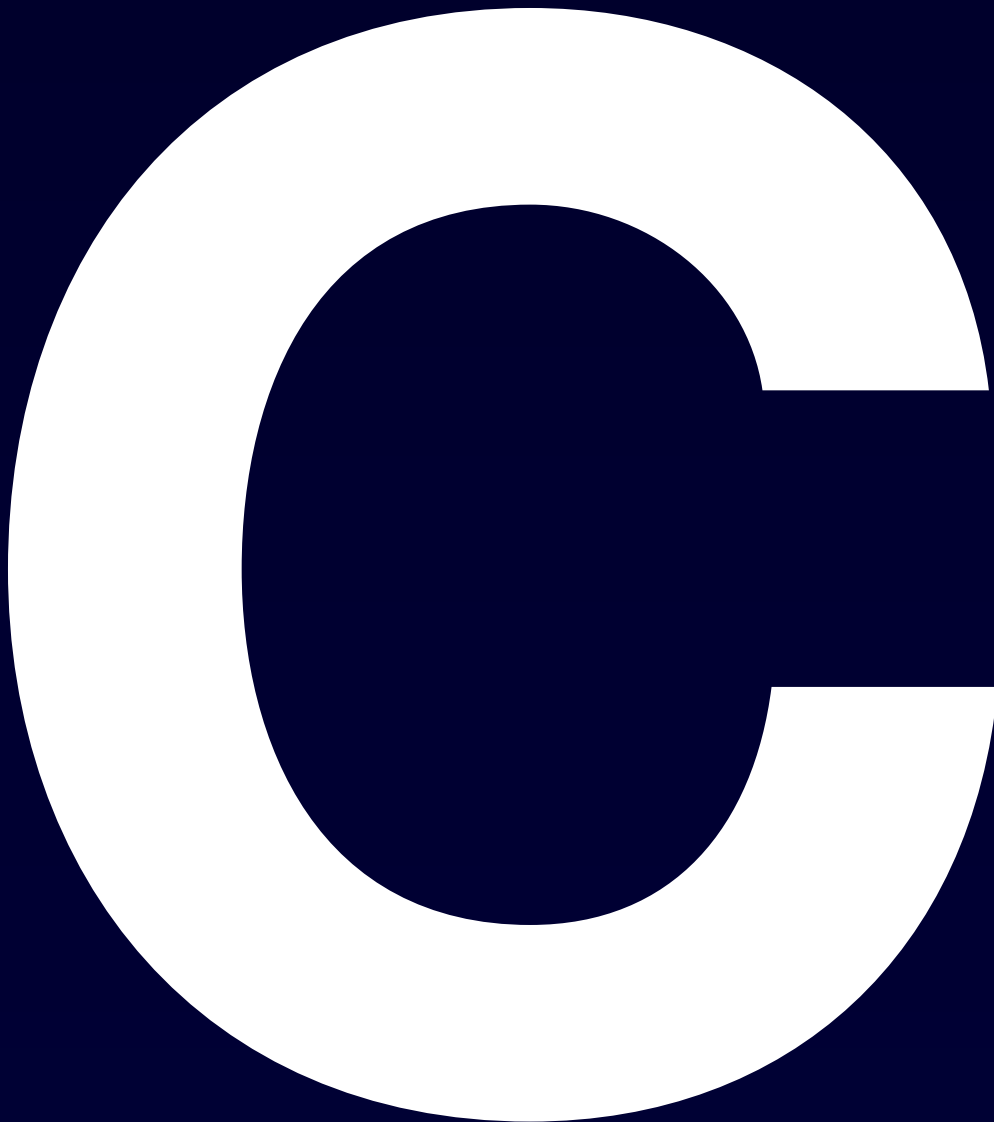
- A speakership opportunity to highlight manufacturing opportunities within the electronics sector at an Association for Representatives of the Electronics Industry networking session;
- An agricultural products showcasing event, hosted in partnership with the European Union Delegation of South Africa; and
- The showcasing to potential investors of the second phase of the Jozini Tiger Lodge project.

#### Business Opportunities Generated in Foreign Markets:

A total of seven business opportunities were generated and explored in foreign markets during the course of the year under review.

These included:

- The March/April 2017 Visegrad Mission, with companies visiting Slovakia, Hungary, the Czech Republic and Poland, which gave effect to a number of investment and trade leads as a consequence of the visits; and
- An advance visit for a Nordic Mission, which was undertaken in Denmark, Sweden and Lithuania in order to facilitate the creation of relevant partnerships for the creation of linkages for a range of KwaZulu-Natal-based businesses.



# GOVERNANCE

Trade & Investment KwaZulu-Natal remains wholly committed to adhering to sound governance practices and to conducting its business activities with integrity.

# 12

## CORPORATE GOVERNANCE STATEMENT

### Introduction:

Corporate Governance embodies the processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regard to public entities is applied through the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance for South Africa (King IV).

Trade & Investment KwaZulu-Natal is a Provincial public entity and, as such, is subject to the provisions of the PFMA. The organisation is committed to applying sound governance practices and to conducting its affairs with integrity. The Board regularly reviews governance structures, practices and processes so as to ensure continued alignment with legislative and regulatory changes and to continuously reflect best practice.

### Executive Authority:

The MEC for Economic Development, Tourism and Environmental Affairs is the Executive Authority of Trade & Investment KwaZulu-Natal. The Board reports to the Department by way of quarterly and annual reports, as well as attending regular quarterly meetings with the MEC. During the period under review, all required quarterly performance and financial reports were submitted within set timeframes. There were no issues raised by the MEC regarding the organisation's reporting and operations.

### The Accounting Authority:

The Board is the Accounting Authority of Trade & Investment KwaZulu-Natal. It has a unitary structure and consists of a majority of Independent Non-executive Board members. It acts as the focal point for, and custodian of, corporate governance. The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this by contributing to and approving the strategy, as well as satisfying itself that the strategy and business plans do not give rise to risks which have not been thoroughly assessed by management, identifying key performance and risk areas and ensuring that the strategy will result in sustainable outcomes.

The Non-executive Board members have extensive business experience and specialist skills across a range of sectors, including, inter alia, finance, legal, human resources, trade and investment, import and export. The Board retains effective management over the affairs of the entity and monitors management. The Board deliberates over a range of key issues, ensuring the proper direction and management of the entity. The Chairperson provides

the Board with leadership and guidance and encourages full and proper deliberation on all matters requiring the Board's attention. The Chief Executive Officer is charged with the day-to-day management of the organisation's operations and assists the Board in providing strategic and policy direction to the entity. Within the defined levels of authority, the Chief Executive Officer assumes responsibility for implementing decisions of the Board and is accountable to the Board for the effective functioning of the entity within Board-determined policy guidelines.

All Board members are entitled to seek independent professional advice concerning the affairs of the entity and have unhindered access to any information that they may require in the discharge of their duties and responsibilities.

### The Role of the Board:

The Board has specific responsibilities set out in the KwaZulu-Natal Trade and Investment Agency Act, 2010 (Act No. 05 of 2010) ("the Act"), and the PFMA and are further guided by the principles of good corporate governance, which include, inter alia:

- Providing strategic direction to the entity. The Board has a strategic function in terms of providing the vision, mission and goals of the entity. These are determined in conjunction with the Chief Executive Officer and the executive team;
- Retaining full and effective control and management over the affairs of the entity;
- Formulating, monitoring and reviewing corporate strategy, major plans of action, risk policy, annual budgets and business plans; and
- Ensuring that the entity complies with applicable laws, regulations, Government policy and codes of best practice.

### Board Charter:

The Board has adopted a formal Board Charter setting out its roles and responsibilities, composition and functioning. In keeping with the principles of good corporate governance, the Board Charter is reviewed annually. During the period under review, the Board of Trade & Investment KwaZulu-Natal continued to adhere to the Board Charter. The Board members retain overall responsibility and accountability for:

- Approving strategic plans;
- Monitoring operational performance and management;
- Ensuring effective risk management and internal controls;
- Legislative, regulatory and governance compliance;
- Approval of significant accounting policies and Annual Financial Statements;
- Monitoring transformation and empowerment;
- Appropriate remuneration policies and practices; and
- Balanced and transparent reporting to stakeholders.



### Board Evaluation:

During the year under review, the Board underwent an external evaluation of performance against its mandate, as set out in the Act, and progress in terms of the Board and Committee Charters (inclusive of an assessment of the individual Board committees as well as the individual Board members through a peer evaluation). The outcome of the evaluation set out recommendations for areas of development. The responses received were, in the majority, very positive and confident. The evaluation results revealed no material issues which required urgent or immediate attention by the Board.

### Composition of the Board:

As at 31 March 2018, the Board comprised 12 Non-executive members, who are appointed by the responsible MEC and the Chief Executive Officer, as an ex officio member of the Board. During the period under review, the following Board meetings were held: four ordinary Board meetings, one strategy review session and two special meetings of the Board. Details of the organisation's Non-executive Board members are contained in the following tables and include an indication of their attendance at meetings and remuneration received during the financial year, as contained in the Annual Financial Statements.

NAME	DESIGNATION	DATE APPOINTED	QUALIFICATION	AREA OF EXPERTISE	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Ms CM Cronjé	Chairperson Non-executive Board Member	1/09/2014	BA (Hons), UED, BProc Dip. Environmental Law, LLM	Law, public finance, governance	7	7
Ms LCZ Cele	Deputy Chairperson Non-executive Board Member	1/09/2014	B.Com, Post-graduate Dip. Tax, Executive Leadership Dev. Programme, MAcc (Taxation)	Finance, corporate governance, business management	7	7
Mr GW Bell	Non-executive Board Member	1/09/2014	Mechanical Engineering Dip.	Business management, investment and export	7	5
Mr DB Dlamini <sup>N</sup>	Non-executive Board Member	15/11/2017	BA (Politics, Philosophy & Public Administration), MPA	Public administration, business management and community development	3	2
Mr CS Gina <sup>**</sup>	Non-executive Board Member	15/11/2017	BA (Human & Social Science), Executive Development Programme	Human resource, planning and development skills	7	7
Ms U Maharaj <sup>N</sup>	Non-executive Board Member	15/11/2017	BActt (Hons) Post-graduate Dip. Accounting	Finance, human resource strategy, training, coaching and leadership development skills	3	3
Dr VF Mahlati <sup>**</sup>	Non-executive Board Member	15/11/2017	Master's in Social Policy and Planning; PhD (Rural Economics)	Human resource, planning and development skills	7	1
Cllr DCP Mazibuko <sup>*</sup>	Non-executive Board Member	1/06/2012	Hon, BEd (Management & Administration)	Community development skills, planning and development skills	4	2
Mr SK Mpungose <sup>N</sup>	Non-executive Board Member	15/11/2017	Marketing, NHC, B.Com (Economics and Management); B.Com Honours (Economics); M.Com (Economics)	Applied macro-economics, macro-economics and labour economics, finance and business management	3	3
Dr NS Msomi <sup>*</sup>	Non-executive Board Member	1/06/2012	PhD (Molecular Genetics)	Finance and information technology	4	2
Mr S Naidoo <sup>N</sup>	Non-executive Board Member	15/11/2017	BA, BAdmin, (Hons) (Industrial Psychology)	Human resources, investment and export, business management and community development	3	3
Mr MC Ngcobo <sup>N</sup>	Non-executive Board Member	15/11/2017	B.Com Accounting (Hons), Chartered Accountant	Development finance, corporate and investment banking, private equity, auditing, venture capital and business development	3	2
Mr ZC Ngidi <sup>N</sup>	Non-executive Board Member	15/11/2017	BA, Law and LLB	Legal and corporate governance and labour	3	2
Mr KS Shandu <sup>N</sup>	Non-executive Board Member	15/11/2017	National Diploma (Chemical Engineering)	Business management and community development	3	3
Mr MA Tarr <sup>*</sup>	Non-executive Board Member	1/06/2012	MSc (Agricultural Economics)	Finance, investment and export	4	4
Dr JJ Van Zyl <sup>*</sup>	Non-executive Board Member	1/06/2012	D.Com (Business Economics)	Investment and export	1	0
Dr MAI Velia <sup>**</sup>	Non-executive Board Member	1/06/2012	PhD (Economics)	Investment and export, planning and development	2	2
Prof W Viviers <sup>*</sup>	Non-executive Board Member	1/06/2012	D.Com (Economics)	Export and investment	4	3

\* Outgoing members - term of office ended 15/11/2017. Dr JJ Van Zyl's term of office ended 31/05/2017

\*\* Resigned 26/09/2017 \*\*\* Re-appointed on 15/11/2017 N: New appointments

# 12 CORPORATE GOVERNANCE STATEMENT CONTINUED

## Board Committees:

The Board has delegated specific functions to its Sub-Committees to assist the Board in meeting its oversight responsibilities.

All Board Committees are chaired by a Non-executive Board member. All Committees have formal Terms of Reference, which are reviewed annually.

During the period under review, the Committees have functioned in accordance with their formal terms of reference.

## Human Resources, Social and Ethics Committee

The Committee is responsible for human resource matters focusing on remuneration, employment equity, succession planning, training, development and retention of staff, as well as social and ethics matters.

During the period under review, the Committee held three ordinary meetings and two special meetings.

The annual work plan of the Committee was reviewed to enable the Committee to pay sufficient attention to all its responsibilities, with particular attention to social and ethics management responsibilities.

A number of projects were undertaken to ensure that the role of ethics management is effectively fulfilled i.e.:

- The organisational policies, commencing with some of the human resources policies were reviewed to ensure ethics compliance (this project will continue well into the 2018/19 financial year);
- Training of executive management on ethics management;
- The development of an approved Ethics Management Strategy for the governance of ethics within Trade & Investment KwaZulu-Natal. The Strategy provides a broad outline of the focus areas and activities for the management of ethics in Trade & Investment KwaZulu-Natal. The 2018/19 financial year will see the development of an ethics management implementation plan, which will take the entity's ethics strategy forward;
- The development of an approved Code of Ethics Policy, the purpose and objective of which is to promote

exemplary ethical and behavioural standards for doing business with external stakeholders and relations between employees of Trade & Investment KwaZulu-Natal.

This will guide employees towards demonstrating behaviour that supports and promotes the Vision and Mission and achieves a work environment where ethical and professional behaviour are core to doing business.

This will also protect and enhance the image, credibility and sustainability of the organisation as a responsible and reputable corporate citizen of KwaZulu-Natal.

## Trade and Investment Committee

The period under review saw the establishment of a new Committee of the Board, the role of which is to assist the Board with the oversight on the execution of the trade and investment mandate and related activities of the entity:

- Business operational strategy and policy advocacy;
- Investment promotion and facilitation;
- Export development and promotion;
- Business retention and expansion;
- Research and innovation;
- Enterprise development and organisational performance monitoring;
- Advice and support for both the Export Development and Promotion and Investment Promotion Business Units to fulfill the mandate of the organisation and their key objectives; and
- Present new proposals on trade and investment initiatives to the Board.

The Committee's responsibilities include, inter alia:

- Providing strategic direction and support for the development and implementation of trade and investment strategies for Trade & Investment KwaZulu-Natal; and
- Monitoring and oversight of the entity's activities with regard to the implementation of One-Stop-Shop services in promoting the ease of doing business, development and management of partnerships, investment promotion and facilitation, export development and promotion, research and information and policy advocacy, as well as operational efficiency.

## Board Committee Membership and Attendance

NAME OF BOARD MEMBERS	COMMITTEE MEETINGS					
	AUDIT, RISK AND COMPLIANCE		HUMAN RESOURCES, SOCIAL AND ETHICS		TRADE AND INVESTMENT	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Ms LCZ Cele	4	4				
Dr NS Msomi*	2	1				
Mr MA Tarr*	2	2				
Mr MC Ngcobo <sup>A</sup>	2	1				
Ms U Maharaj <sup>A</sup>	2	2	2	2		
Mr CS Gina			5	5		
Dr VF Mahlati			3	2 <sup>B</sup>	1	1 <sup>A</sup>
Dr MAI Velia**			2	2		
Mr N Ngidi <sup>A</sup>			2	1		
Mr S Naidoo <sup>A</sup>			2	2		
Mr GW Bell <sup>A</sup>					1	1
Mr DB Dlamini <sup>C</sup>					1	1
Mr SK Mpungose <sup>A</sup>					1	1
Mr KS Shandu <sup>A</sup>					1	1

\* Outgoing Board members - term ended 15/11/2017      \*\* Resigned 26/09/2017

<sup>A</sup> Appointed to Committee 1/12/2017      <sup>B</sup> Member of Committee until 01/12/2017      <sup>C</sup> Appointed to Committee 02/02/2018

### Remuneration of Board Members:

The Board is remunerated in terms of a directive issued by the MEC for the Department of Economic Development, Tourism and Environmental Affairs, in line with National Treasury guidelines regarding Board remuneration.

Trade & Investment KwaZulu-Natal schedules its annual Board and committee meetings in terms of the Board and Committee Charters and members are then remunerated

for attendance at the scheduled Board and/or quarterly Board committee meetings.

Board members are also reimbursed for their travelling and related expenses in line with the entity's subsistence and travel policy.

Members are paid a retainer fee quarterly and special meetings are paid at an hourly rate.

# 12 CORPORATE GOVERNANCE STATEMENT CONTINUED

NAME	REMUNERATION (R)	TRAVEL AND OTHER ALLOWANCE (R)	TOTAL (R)
Ms CM Cronjé	505 607	16 796	522 403
Ms LCZ Cele	390 774	-	390 774
Mr GW Bell	129 415	-	129 415
Mr DB Dlamini	35 364	2 513	37 877
Mr CS Gina	173 486	1 207	174 693
Ms U Maharaj	79 190	4 235	83 425
Dr VF Mahlati	68 889	-	68 889
Cllr DCP Mazibuko	50 256	1 775	52 031
Mr SK Mpungose	59 508	-	59 508
Dr NS Msomi	60 097	-	60 097
Mr S Naidoo	59 508	-	59 508
Mr MC Ngcobo	48 125	-	48 125
Mr ZC Ngidi	28 442	2 868	31 310
Mr KS Shandu	60 151	-	60 151
Mr MA Tarr	97 231	4 342	101 573
Dr JJ Van Zyl	6 123	-	6 123
Dr MAI Velia	64 100	-	64 100
Prof W Viviers	63 903	1 507	65 410

### Risk Management:

The organisation follows a disciplined approach to evaluating risks and developing appropriate strategies to mitigate and manage risk.

The Board is responsible for the oversight of risk management and has delegated the responsibility to the Audit, Risk and Compliance Committee.

The risk management methodology is considered by the Audit, Risk and Compliance Committee and enhancements during the financial year have been recommended and adopted.

On an annual basis, the entity conducts a risk assessment to determine the effectiveness of its risk management strategy and to identify new and emerging risks.

Whilst the line manager of each business unit assumes primary responsibility for identifying and managing risks inherent to the operations of his/her unit, the Audit, Risk and Compliance Committee develops and reviews risk management strategies, policies and procedures, so as to ensure that they are appropriate.

The Audit, Risk and Compliance Committee advises the Board on the entity's risk management and independently monitors the effectiveness of the system of risk

management.

On an annual basis, risk management or mitigation strategies are adopted in an effort to strengthen the control environment for identified risks within the entity and are implemented and monitored by management, with the assistance of internal audit, which body provides assurance to both the Audit, Risk and Compliance Committee and Board, on a quarterly basis, in terms of the effectiveness and efficiency of such controls. The entity's management of risk is maturing steadily.

### Internal Control Unit:

The effectiveness of internal control mechanisms is governed by regular management reporting.

The Chief Financial Officer is responsible for reporting each quarter on the operations of the financial and accounting control frameworks and the Board also receives assurance from the Audit, Risk and Compliance Committee, which derives its information through regular audit reports on risk and internal control across the entity.

During the review period, a number of initiatives were undertaken to ensure improved internal control:

- An annual review of all finance policies and procedures;
- Action plans for internal and external audit findings;
- Compliance with policies and procedures within the

- prescribed accounting framework;
- A controls review to ensure that assets are safeguarded;
- The implementation of a fraud risk assessment and fraud survey and prevention plan to detect fraud; and
- A review of risk management and related policies.

#### **Internal Audit:**

The Committee is responsible for ensuring that the internal audit function is independent and enjoys the necessary resources, standing and authority within the entity to enable it to effectively discharge its duties.

The role of internal audit is outlined in the Committee's terms of reference and the internal audit charter.

The Committee oversees interaction between internal audit, external audit and management, whilst also ensuring that these relationships are productive and add value to the organisation.

The Committee also monitors, guides and supervises the functioning of internal audit, ensuring that the services of both internal and external audit are sufficiently clarified and co-ordinated, so providing an objective overview of the entity's operating systems of internal control and reporting. In terms of the review period, these included:

- Approval of the internal audit plan and work carried out by internal audit in ensuring that action plans which are in place mitigate risks on matters reported to the Committee;
- A review of the adequacy of corrective action taken in response to significant internal audit findings;
- A review of significant matters reported by internal audit;
- An assessment of the adequacy of the performance of internal audit;
- A review of co-operation and co-ordination between the internal and external audit functions; and
- An evaluation of the independence and effectiveness of internal audit, inclusive of compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Audit.

Internal audits conducted during the review period included:

- An Annual Financial Statements review;
- An Interim Financial Statements review;
- Follow-up audits: Auditor-General follow-up, which reviewed the implementation of management action plans and Auditor-General recommendations from the 2016/17 Auditor-General management report and SCM follow-up on the SCM audit conducted by Provincial Treasury in 2016/17 and internal audit will consider whether the entity has implemented the

- recommendations arising from this report; and
- Risk-based audits of supply chain management and asset management.

#### **Audit, Risk and Compliance Committee:**

The Audit, Risk and Compliance Committee comprises a minimum of three members, who are appointed from the Board, and which met four times during the period under review.

The primary role of the Committee is to ensure the integrity of financial reporting and audit process, together with the maintenance of sound risk management and internal control systems.

In pursuing these objectives, the Committee oversees relations with the external auditors, the scope of work, the annual audit and applicable levels of materiality.

The Committee monitors development in corporate governance, ensuring that the entity continues applying high and appropriate standards.

The primary functions of the Committee include, inter alia, reviewing and recommending to the Board the following:

- An examination and review of the Annual Financial Statements with management and the external auditors to ensure that they are complete and consistent with information provided to them, prior to submitting to the regulators;
- The effectiveness of the organisation's internal control system and information technology security and control;
- The control procedures followed by management and an assessment of their effectiveness, such as the safeguarding of organisational assets;
- The implementation of a fraud and prevention plan;
- An annual review of the risk management plan and related policies and framework;
- Compliance with the prescribed accounting framework and legal, statutory and regulatory matters;
- A review of the external auditors' proposed audit scope, approach and co-ordination of the audit effort with internal audit;
- A review and confirmation of the independence of the external auditors;
- A review and assessment of the adequacy of the Audit Committee Charter on an annual basis;
- The execution of responsibilities outlined in the Charter; and
- An evaluation of the Committee's and individual member's performance on a regular basis.



# 12 CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit, Risk and Compliance Committee member information:

NAME	QUALIFICATIONS	INTERNAL/ EXTERNAL	IF INTERNAL, POSITION IN PUBLIC ENTITY	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Ms LCZ Cele*	B.Com, Post-graduate Diploma Tax, Executive Leadership Development Programme, MAcc (Taxation)	Internal	Independent non-executive Board member	4	4
Dr NS Msomi**	PhD, Molecular Genetics	Internal	Independent Non-executive Board member	2	1
Mr MA Tarr**	MSc, Agricultural Economics	Internal	Independent Non-executive Board member	2	2
Ms U Maharaj***	BAcct (Hons) Post-graduate Diploma Accounting	Internal	Independent Non-executive Board member	2	2
Mr MC Ngcobo***	B.Com Accounting (Hons), Chartered Accountant	Internal	Independent Non-executive Board member	2	1

\* Re-appointed as Chairperson of the Audit, Risk and Compliance Committee 01/12/2017

\*\* Outgoing Board members – Term ended 15/12/2017

\*\*\* Appointed to Committee 01/12/2017

### Company Secretary:

The Company Secretary is responsible for ensuring that Board procedures and all regulatory and governance codes are observed.

The Company Secretary's functions include, inter alia, being the central source of guidance and advice to the Board and within the entity on matters of good governance and changes in legislation, compliance and the members' fiduciary responsibilities, responsibility for Board and Committee Charters, the preparation of annual work plans and meeting schedules, Board induction, orientation and ongoing training and development of Board members and facilitation of Board evaluations.

The Company Secretary also acts as the secretariat to the Board and its Committees and is charged with preparing meeting agendas, the circulation of Board and Committee papers and with ensuring that accurate records of Minutes are maintained.

### Compliance with Laws and Regulations:

The Board has the overall responsibility for ensuring that the entity complies with all applicable laws and regulations.

This responsibility has been delegated to the Audit, Risk and Compliance Committee, which is charged with ensuring that the task is correctly and appropriately executed.

The Company Secretary assists the Audit, Risk and Compliance Committee to monitor the entity's compliance

with all relevant laws and regulations and such compliance is considered by internal audit, as well as the Audit, Risk and Compliance Committee. Compliance with the KwaZulu-Natal Trade & Investment Agency Act has received primary attention during the period under review, as has the PFMA and Treasury Regulations.

Regular compliance updates are submitted to the Audit, Risk and Compliance Committee by means of detailed legal and regulatory compliance checklists, designed to assess the entity's level of compliance to relevant laws, regulations, codes and standards, thus ensuring that where non-compliance is detected in terms of internal controls, corrective measures may be implemented in order to address any weaknesses in a timely manner.

Organisational policies are reviewed annually so as to ensure alignment with legislation, whilst also giving effect to adequate governance and operational effectiveness.

### Fraud and Corruption:

Trade & Investment KwaZulu-Natal subscribes to the highest ethical standards of business conduct.

A set of values and a code of business conduct, set-out in the Code of Ethics Policy, requires staff to display integrity, respect, openness and affords them the right and obligation to challenge others who have failed to adhere to these values.

The entity also has an approved Fraud Prevention Policy and Plan. Compliance therewith is monitored by both the

Chief Financial Officer and the Company Secretary.

Additionally, all members of staff and members of the Board are required to declare any personal financial interest they may have on an annual basis.

The entity also has an operational whistle-blowers hotline, which is managed by Deloitte & Touché. Both the Human Resources, Social and Ethics Committee and the Audit, Risk and Compliance Committee perform an oversight role regarding issues pertaining to fraud and corruption, together with the implementation and maintenance of the Fraud Prevention Plan.

**Conflict of Interest:**

Trade & Investment KwaZulu-Natal believes that it has in place effective measures to manage conflict of interest.

Every member of the Board completes a General Declaration of Interest prior to each meeting.

Should a conflict of interest occur, the affected Board member may not vote on any matter in which that individual

has an interest. Additionally, the Board member is recused from any meeting where such matters are discussed.

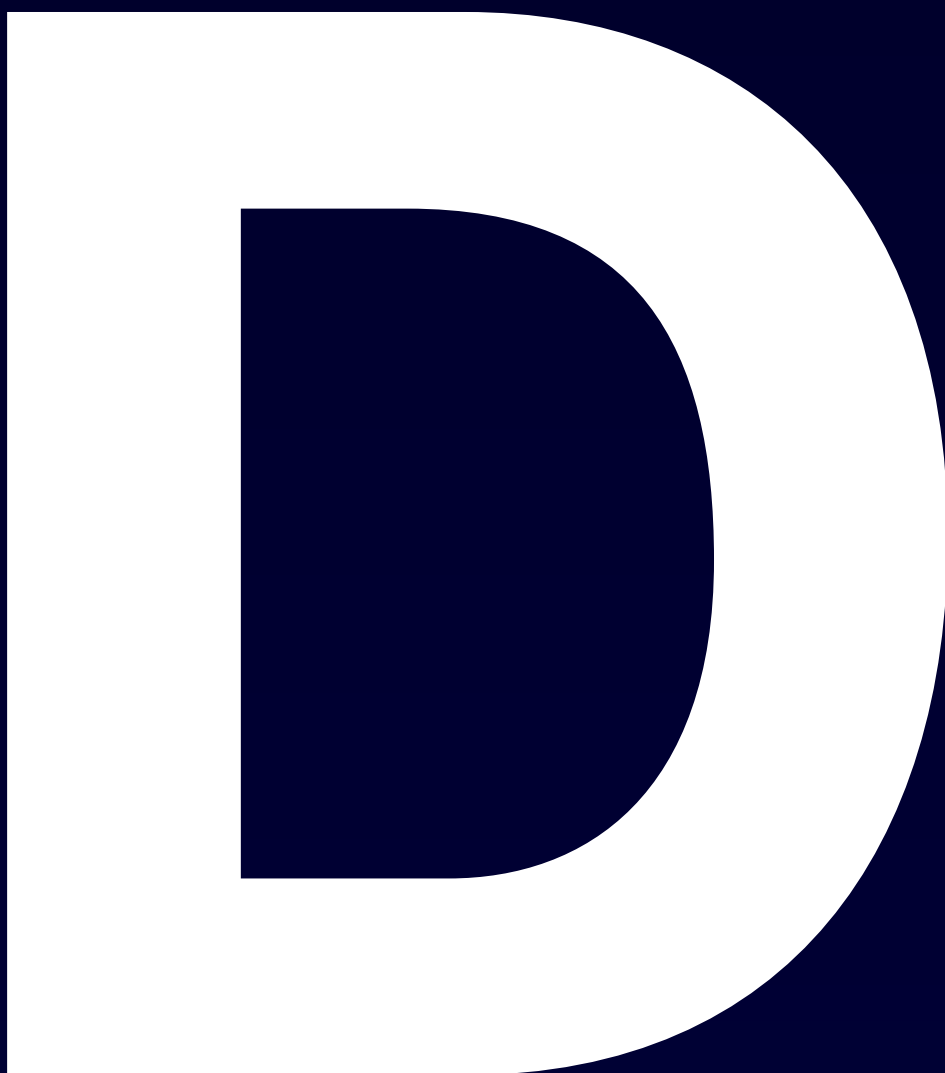
A register of declarations of interest is maintained by the Company Secretary and is updated on an annual basis.

Members of the management team and staff are encouraged to disclose any gifts they may have received. Such disclosures are entered into the organisation's Gift Registry, which is managed by the Chief Financial Officer.

**Health, Safety and Environmental Issues:**

The entity closely monitors health, safety and environmental issues which may have an impact on its operations.

The period under review saw the development of an approved Environmental Management Policy for the entity, which sets-out guidelines and the organisation's commitment to the promotion of environmental protection and adherence to health and safety practices, as well as protecting and enhancing the image, credibility and sustainability of the entity as a responsible and reputable corporate citizen of KwaZulu-Natal.



# HUMAN RESOURCE MANAGEMENT

Through the provision of leading human resource services, approaches and practices, Trade & Investment KwaZulu-Natal is committed to attracting, developing and retaining talent.

# 13

## HUMAN RESOURCE MANAGEMENT

### INTRODUCTION

#### Overview of Human Resource Matters:

The Human Resource Business Unit deals with attracting, developing and retaining talent.

The organisation's Human Resources Strategy aims to create an environment capable of achieving this objective. Policies are designed such that total inclusion and buy-in from employees is secured through genuine consultation during formulation.

The unit's continued commitment to the provision of leading human resource services, approaches and practices through the implementation of a sound plan, makes the organisation an excellent benchmark for other entities. It develops and motivates employees to enhance the entity's goals and objectives.

In essence, people development is achieved by way of individual training programmes, succession planning, career path development and a comprehensive performance management system. Employee development remains a priority, given the shortage of skills in the investment promotion space and, to this effect, the period under review witnessed the development of critical competencies and resulted in a number of employees embarking on training interventions involving project packaging, financial modelling, market intelligence, business report-writing and the like.

#### Skills Development:

The organisation has always placed great emphasis on staff development.

Trade & Investment KwaZulu-Natal has recognised that it operates in a unique environment, where talent is limited which necessitates organisational investment, both financially and otherwise. The growth and development of its people is regarded as being of paramount importance to the business of the organisation.

Programmes are designed such that they align with the strategic objectives of Trade & Investment KwaZulu-Natal, thus enabling staff to develop specific knowledge or learn skills in order to improve performance within their current roles. Development is expansive and focuses on employee growth and future performance. The organisation has been singularly successful in this endeavour.

The unit's primary focus is - and has always been - about ensuring alignment between strategy and staff development. Development initiatives are closely monitored

on an ongoing basis and implemented in accordance with the organisation's training plan. During the review period and from an allocation of R1 184 199 an amount of R1 026 628 was invested in the area of skills development, representing 2,6% of total payroll costs.

#### Human Resource Priorities:

Priorities enshrined in the organisation's Human Resources Strategy are geared to address both short- and long-term organisational challenges. These included:

- ISO 9001 accreditation;
- Remuneration strategy;
- Organisational capacity/workforce planning;
- Performance management;
- Change management processes; and
- Skills development.

#### Organisational Capacity and Workforce Planning:

Challenges related to organisational capacity continued putting pressure on Trade & Investment KwaZulu-Natal during the review period as a consequence of necessary cost control measures impinging on the ability to recruit new talent.

This resulted in the organisation strategising ways and means of utilising existing resources to best effect. A number of initiatives were introduced to ensure the organisation's ability to deliver against its mandate and objectives in spite of the staffing challenge. Initiatives included, but were not limited to, the introduction of staff rotation - where possible - the transfer and re-distribution of workload amongst certain members of staff and, in some instances, the use of staff in 'acting' positions. Whilst such arrangements meant increased pressure on the organisation, they effectively created new opportunities for a number of members of staff.

#### Strategic Alignment and Change Management:

The organisation's Change Management Process - known internally as the Continuous Improvement Process - is responsible for the design, implementation, facilitation and support of a comprehensive and sustainable organisational alignment and change management process, geared to enhancing Trade & Investment KwaZulu-Natal's ability to deliver against its mandate and strategy.

In essence, this involves working inter-actively with the social (human) platform within the organisation, together with the business, or technical, platform. The identified objective is to ensure Trade & Investment KwaZulu-Natal becomes a high-performance enterprise, employing a high-performance culture and high-performance teams. This necessitates a process of substantial introspection,



engagement, envisioning and planning at every level, so as to enable a 'transformational dynamic.' The empowerment of internal facilitators has sought to ensure the active transfer of skills in terms of the process technology.

Various challenges were revealed prior to the process implementation and were successfully addressed. Progress is monitored to ensure sustainability.

#### **Employee Wellness Programme:**

The organisation's wellness programme continues playing a vital role in ensuring that members of staff are encouraged to live a healthy and balanced life. This is regarded as critical, especially given the challenging demands of the prevailing business environment, coupled with present staff shortages, which has resulted, in many instances, in staff members being required to extend themselves beyond their normal duties, so as to meet expectations.

Previously reported poor eating habits and consequent weight issues amongst staff had been identified as a risk factor. In view of this, a number of physical activities were introduced, particularly in collaboration with other stakeholders, such as East Coast Radio and its annual 'Big Walk' event.

A report on the wellness programme, covering the year under review, was compiled by the organisation's wellness service provider, Careways, which has again identified Body Mass Index as a risk factor within the organisation.

Of the organisation's 48 members of staff, 33 voluntarily participated in health risk assessments. Importantly, a marked improvement in cholesterol levels amongst staff was noted, reducing the risk factor from 39,39% the previous year to 21,21% during the review period, indicating distinct lifestyle improvements by staff, leading to their enhanced health and well-being. Factors measured included cholesterol, glucose, blood pressure and VCT testing.

Looking to the future, Trade & Investment KwaZulu-Natal has identified the following focus areas for implementation, so further improving the overall health of the organisation's members of staff. These include:

- Health risk screenings;
- The effective communication of health-related topics;
- Psycho-social and behaviour change programmes;
- Physical activities and campaigns; and
- Mental and spiritual well-being.

#### **Policy Development:**

It is Trade & Investment KwaZulu-Natal's philosophy that well-developed policies form an integral component of the organisation's retention strategy, given that such policies provide the basis for compliance, whilst remaining user-friendly.

Policies are regularly updated, but ultimately remain aligned to corporate strategy. Four policies, being the social ethics policy, the recruitment and selection policy, internship policy and the training and development policy were approved by the Board during the review period.

#### **Achievements:**

A number of notable achievements have seen the organisation's Human Resources function move forward significantly.

These include, but are not limited to:

- The implementation of the Trade and Investment Promotion and Economic Development Programme (with 23 participants from KwaZulu-Natal and 25 in Gauteng);
- The completion of phase one of ISO 9001 accreditation;
- The implementation of an internship programme, as a result of the signing of a Memorandum of Understanding with the South African Council of Graduates Co-operative and which gave effect to the recruitment of 11 graduates to serve internships within the organisation; and
- The implementation of a succession planning programme. A total of 23 identified members of staff were earmarked for development.

#### **Challenges:**

The primary challenge identified and addressed was that of vacant positions continuing to pose an organisational threat.

#### **Future Human Resource Plans:**

Future plans include the following priorities:

- The implementation of the ISO 9001 Quality Management System;
- The implementation of a formal Succession Plan;
- A review of policies;
- The recruitment of personnel in critical and approved positions; and
- The active and vigorous marketing of the Trade, Investment Promotion and Economic Development Programme.

# 13 HUMAN RESOURCE MANAGEMENT CONTINUED

## HUMAN RESOURCE OVERSIGHT STATISTICS

### Training and Development:

During the review period, a number of members of staff

participated in a range of training interventions, the result of shortfalls having been identified during performance appraisals and so included in the Workplace Skills Plan.

TRAINING INTERVENTIONS			
PROGRAMME/ACTIVITY/OBJECTIVE	AVERAGE TRAINING COST PER EMPLOYEE	NO. OF EMPLOYEES TRAINED	TRAINING EXPENDITURE
Trade & investment Promotion and Economic Development Programme	R22 000	8	R176 000
Finance for Non-Financial Managers	R6 999	20	R139 980
Media Training	R15 000	11	R165 000
New PPPFA B-BBEE	R1 250	24	R30 000
HR & Social Ethics Training	R9 328	14	R130 592
Project Management for PA and Administrators	R14 999	4	R59 996
Brilliant Business Writing	R4 771	4	R19 084
Train the Trainer	R3 771	14	R52 794
Being a Director Series Part 1-4	R15 284	1	R15 284
Conversational IsiZulu	R2 773	7	R19 411
Strategic and Annual Performance Planning	Free training provided by Provincial Treasury	1	Free training provided by Provincial Treasury
Advanced Talent Economist Programme	R41 491	1	R41 491

PIVOTAL TRAINING		
		COST
Diploma in International Trade Management for Exports	ITRISA	R18 600
Bachelor of Technology in Marketing	Durban University of Technology	R15 856
Bachelor of Business Administration	MANCOSA	R23 600
Bachelor of Public Administration	MANCOSA	R23 600
Business International Relations and Political Economy	The London School of Economics and Political Science	R33 000
Bachelor of Technology in Management	Durban University of Technology	R34 935
CIMA	Chartered Institute of Management Accountants	R24 500
Diploma in Marketing Management	IMM Graduate School of Management	R16 855
Advanced Certificate in International Trade	Institution of Trade South Africa	ITRISA
PhD in Foreign Direct Investment	University of Stellenbosch	R16 910

EMPLOYMENT AND VACANCIES			
PROGRAMME/ACTIVITY/OBJECTIVE	2017/18 APPROVED POSTS	2017/18 NUMBER OF EMPLOYEES	2017/18 VACANCIES
Office of the Chief Executive Officer and Gauteng Office	10	4	6
Knowledge Management	9	6	3
Investment Promotion and Business Retention	17	13	4
Finance	9	8	1
Corporate Services (Marketing and Human Resources)	11	7	4
Export Development and Promotion	8	6	2

EMPLOYMENT AND VACANCIES			
PROGRAMME/ACTIVITY/OBJECTIVE	APPROVED POSTS	NUMBER OF EMPLOYEES	VACANCIES
Top management	7	5	2
Senior management	4	2	2
Professionally qualified	18	14	4
Skilled	26	15	11
Semi-skilled	8	7	1
Unskilled	1	1	0
<b>TOTAL</b>	<b>64</b>	<b>44</b>	<b>20</b>

EMPLOYMENT CHANGES			
SALARY BAND	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top management	0	2	5
Senior management	0	0	2
Professionally qualified	0	1	14
Skilled	0	1	15
Semi-skilled	0	0	7
Unskilled	0	0	1
<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>44</b>

REASON FOR LEAVING	
REASON	NUMBER
Death	0
Resignation	3
Dismissal	0
Retirement	0
Ill-health	0
Expiry of contract	1
<b>TOTAL</b>	<b>4</b>

LABOUR RELATIONS - MISCONDUCT AND DISCIPLINARY ACTION	
NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written warning	0
Final written warning	0
Disciplinary Action	1
Dismissal	0
<b>TOTAL</b>	<b>1</b>

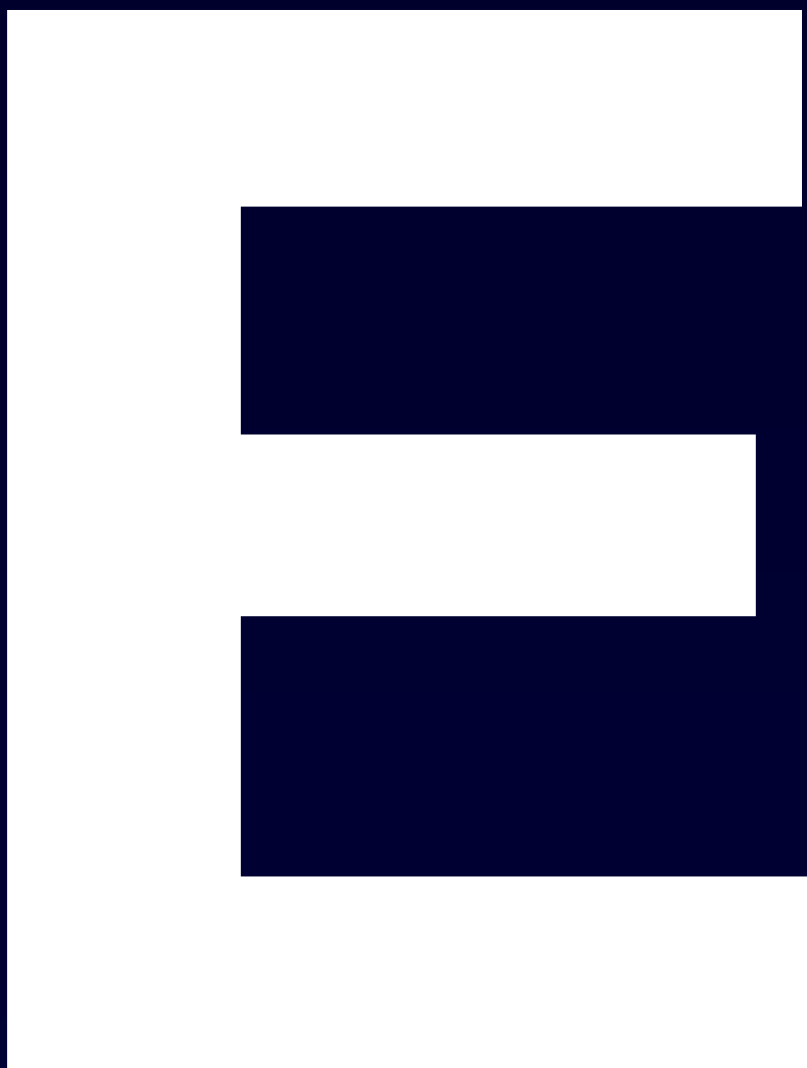
# 13 HUMAN RESOURCE MANAGEMENT CONTINUED

## Equity Target And Employment Equity Status:

Workforce profile for all employees, including people with disabilities.

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management	2	2	0	0	0	0	0	0	0	1	5
Senior management	0	0	1	0	1	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	4	2	1	1	4	0	1	1	0	0	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	1	0	1	7	0	4	1	0	0	15
Semi-skilled and discretionary decision-making	0	0	0	0	3	0	3	1	0	0	7
Unskilled and defined-decision making	0	0	0	0	1	0	0	0	0	0	1
<b>TOTAL PERMANENT</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>16</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>44</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>16</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>44</b>







ANNUAL  
FINANCIAL  
STATEMENTS

# 14 GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Schedule 3C PFMA - Provincial Public Entity established in terms of the Trade and Investment Act No.5 of 2010
<b>Nature of business and principal activities</b>	Trade and Investment Promotion Agency
<b>Board Chairperson</b>	Ms CM Cronjé
<b>Registered office</b>	Trade & Investment House 1 Arundel Close Kingsmead Office Park Durban, 4000
<b>Business address</b>	Trade & Investment House 1 Arundel Close Kingsmead Office Park Durban, 4000
<b>Postal address</b>	Trade & Investment KwaZulu-Natal PO Box 4245 Durban, 4000
<b>Bankers</b>	The Standard Bank of South Africa Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Secretary</b>	Ms NNC Gumbi
<b>Company registration number</b>	Trade and Investment Act No.5 of 2010
<b>Preparer</b>	The financial statements were internally compiled by: Ms Lingiwe Nyamande Chief Financial Officer

The reports and statements set out below comprise the consolidated Annual Financial Statements to be presented to the provincial legislature:

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## 15 BOARD'S RESPONSIBILITIES AND APPROVAL

The Members of the Board are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Members of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Members of the Board acknowledge that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the Members of the Board to meet these responsibilities, they ensure that the entity complies with best standards for internal controls aimed at reducing the risk of error in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk is maintained. These controls

are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risks across the entity. Whilst operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The entity is wholly dependent on the Department of Economic Development, Tourism and Environmental Affairs for continued funding of operations. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that the Provincial Government has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Members of the Board are primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors. The external auditors are responsible for the audit of the entity's Annual Financial Statements and reporting. The Annual Financial Statements set out on pages 83 to 123, which have been prepared on the going concern basis, were approved by the Members of the Board.



**Ms CM Cronjé**  
Chairperson

# 16 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial period ended 31 March 2018.

## Audit Committee Responsibility, Membership and Attendance

The entity has a functional Audit, Risk and Compliance Committee which oversees the audit, risk management and compliance functions, including IT risk. The Committee's primary role is to ensure the integrity of financial reporting and audit processes and to maintain sound risk management and internal controls.

The Committee has in place formal Terms of Reference, which are reviewed annually, and has regulated its affairs in compliance with Section 51(1)(a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1. The Committee comprises three independent non-executive members, being Ms LCZ Cele (Chairperson), Ms U Maharaj and Mr MC Ngcobo, who are appointed by the Board. Mr Ngcobo and Ms Maharaj were appointed as Board members effective 15 November 2017. Mr M Tarr and Dr NS Msomi served as Committee members until the end of their term on 15 November 2017.

The Audit, Risk and Compliance Committee reports that it has discharged its responsibilities as stipulated in Section 38(10)(1) of the PFMA of 1999 and Treasury Regulation Section 3.1.

The table below discloses relevant information about Audit, Risk and Compliance Committee members:

Name	Qualifications	Internal/ External	If Internal, Position in Public Entity	No. of Meetings Attended
Ms LCZ Cele	MAcc, Taxation	Internal	Independent Non-executive Board Member	4/4
Ms U Maharaj	CA(SA)	Internal	Independent Non-executive Board Member	2/2
Dr NS Msomi	PhD, Molecular Genetics	Internal	Independent Non-Executive Board Member	1/2
Mr MC Ngcobo	CA(SA)	Internal	Independent Non-Executive Board Member	1/2
Mr MA Tarr	MSc, Agricultural Economics	Internal	Independent Non-Executive Board Member	2/2

## The Effectiveness of Internal Controls

The Audit Committee is responsible for overseeing the following:

### Assessing the effectiveness of Internal Controls:

The Committee is tasked with:

- Ensuring that the entity has adequate and effective systems of internal control and information technology;
- Implementing controls to ensure that assets are safeguarded;
- Ensuring the fraud and prevention plan is implemented to detect fraud;
- Assessing the scope of the work covered by internal auditors;
- Ensuring that the entity adheres to best practice, which is in line with the PFMA of 1999 and the King IV Report on Corporate Governance, which require that management maintains and enforces strict internal controls. These are achieved by means of the implementation of a risk management process, as well as the identification of corrective actions, suggestions and enhancements to controls and processes;
- Reviewing various reports issued by the internal auditors, and the management report of the Auditor-General South Africa, in order to identify any matters reported which indicate material deficiencies in the system of internal controls or any deviations therefrom;
- Ensuring the quality of in-year monitoring and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act. The Audit, Risk and Compliance Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the entity during the period under review; and
- Reporting that the system of internal control over financial reporting for the period under review was efficient and effective.

### Evaluation of Annual Financial Statements:

The Audit, Risk and Compliance Committee has:

- Reviewed the audited Annual Financial Statements included in the Annual Report with the Auditor-General South Africa, internal auditors and the Chief Executive Officer;
- Reviewed the Auditor-General of South Africa's management report thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments, noted the nature of transactions and ensured that these were dealt with appropriately.

### Internal Audit:

The Committee:

- Was aware that the KwaZulu-Natal Provincial Treasury Internal audit previously provided internal audit services to the entity free of charge. However, this

was discontinued from May 2017 and Management undertook a process to procure the services of an external audit firm to provide these services. OMA Chartered Accountants was appointed and commenced operations on 23 January 2018;

- Continuously assesses the effectiveness of the internal audit function;
- Ensures that Committee meetings are held with both internal and external auditors in order to identify any potential weaknesses, so enabling Management the ability to rectify them in a timely manner;
- Is satisfied with the functions of internal audit and the quality of reports issued; and
- Holds discussions with the internal auditors regarding the achievement of the Internal Audit Plan, staffing constraints, unresolved audit findings and the seeking of meaningful solutions to any deficiencies identified.

#### **Risk Management:**

The Committee:


- Has overall responsibility for risk management, whilst Management is accountable for designing, implementing and monitoring this process;
- Assesses Management's reports on progress made in order to obtain assurance on the overall system of risk management;
- Assesses the effectiveness of the overall risk management process, inclusive of assessing whether there are any major incidents/losses attributable to the failure of the risk management process and any major successes/gains achieved or losses/incidents avoided; and
- Ensured the finalisation of the appointment of new internal auditors at the beginning of January 2018.

#### **Compliance:**

The Committee:

- Undertakes reviews of the entity's compliance with legal and regulatory provisions;
- Reviews the state of any unresolved issues raised and not adequately addressed by the entity;
- Reviews the information regarding pre-determined objectives to be included in the Annual Report and ensures that such information is verifiable, meaningful and relevant;
- Monitors Supply Chain Management-related submissions and that all relevant Treasury circulars are adhered to; and
- Is instrumental in ensuring that the organisation's Information Technology maturity improves and provides key suggestions to assist the entity in this regard.

The Audit, Risk and Compliance Committee is awaiting the audit outcome of the 2017/18 financial year audit results and notes that the entity's financial reporting continues to improve. The Committee continues to apply itself and to focus on the critical and key deliverables of the entity and ensures that the entity continues to work towards the attainment and sustainability of good results.



**Ms LCZ Cele**  
**Chairperson**

# 17 AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

## REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON TRADE & INVESTMENT KWAZULU-NATAL

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

1. I have audited the financial statements of Trade & Investment KwaZulu-Natal set out on pages 86 to 123, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Trade & Investment KwaZulu-Natal as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement,

whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing Trade & Investment KwaZulu-Natal's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor-General's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

#### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents.

My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future



periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Investment promotion and facilitation	33-35
Programme 3 – Export development and promotion	36
Programme 4 – Knowledge management	38

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the three selected programmes.

#### Other matter

15. I draw attention to the matter below:

#### Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the export promotion and development programme. I did not identify any material findings on the usefulness and reliability of the reported performance information as management subsequently corrected the misstatements.

### REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

#### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with

specific matters in key legislation.

I performed procedures to identify findings, but not to gather evidence to express assurance.

18. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### OTHER INFORMATION

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report.

The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

#### INTERNAL CONTROL DEFICIENCIES

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

25. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

### Financial management

26. The financial statements submitted for auditing were not adequately reviewed against the prescribed financial reporting framework, resulting in material misstatements that were subsequently corrected.

*Auditor - General*

Pietermaritzburg  
31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

#### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis

for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority;
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Trade & Investment KwaZulu-Natal's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# 18 BOARD'S REPORT

The Members of the Board of Trade & Investment KwaZulu-Natal (TIKZN) submit their report for the period ending 31 March 2018.

## 1. Incorporation

Trade & Investment KwaZulu-Natal is a Provincial Public Entity listed under Schedule 3C of the Public Finance Management Act (PFMA). The entity reports directly to the Department of Economic Development, Tourism and Environmental Affairs (EDTEA).

## 2. Review of activities

Main business and operations

Trade & Investment KwaZulu-Natal is a South African trade and inward investment promotion agency, established to promote the province of KwaZulu-Natal as an investment destination and to facilitate trade by assisting local companies to access markets locally and internationally.

The entity identifies, develops and packages investment opportunities in KwaZulu-Natal; provides a professional service to all clientele; brands and markets KwaZulu-Natal as an investment destination; assists companies to retain and expand trade and export activities and links opportunities to the developmental needs of the KwaZulu-Natal community.

The entity has posted a net surplus of R12 540 788 for the period under review. This comprises mainly unspent conditional grants. Management has requested approval from Treasury and EDTEA to roll-over the funds to the 2018/19 financial year.

## 3. Going concern

The Annual Financial Statements have been prepared on the basis of GRAP and accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlements of liabilities and commitments will occur in the ordinary course of business. To date KwaZulu-Natal Treasury, through EDTEA has committed to provide the funding for the 2018/19 financial year in terms of the Medium Term Expenditure Framework (MTEF).

The ability of the entity to continue as a going concern is dependent on a number of factors which include adequate cashflows to run operations and skilled management as well as a fully functional Board which provides direction to management to ensure that the entity fulfills its mandate in terms of its enabling legislation (TIKZN Act No.5 of 2010) and in terms of its MOU with EDTEA which is signed annually. This will ensure that funding is guaranteed, and the entity continues as a going concern.

## 4. Subsequent events

As at the date of reporting, the Members of the Board were

not aware of any matters or circumstances that can impact on the entity's business and status as a going concern.

## 5. Members' interest in contracts

Members of the Board are required to complete declaration of interest forms at every meeting.

As at 31 March 2018, no conflict of interest was recorded.

## 6. Accounting policies

The Annual Financial Statements were prepared in accordance with the prescribed South African Standards of Generally Recognised Accounting Practice as issued by the Accounting Standards Board, as the prescribed framework by the National Treasury.

## 7. Members of the Board

The Members of the Board of Trade & Investment KwaZulu-Natal during the period under review are as follows:

Name	Nationality	Changes
Ms CM Cronjé (Chairperson)	SA	
Ms LCZ Cele (Deputy Chairperson)	SA	
Mr GW Bell	SA	
Mr MA Tarr	SA	Term ended 15/11/17
Dr JJ Van Zyl	SA	Term ended 31/05/17
Mr CS Gina	SA	
Cllr DCP Mazibuko	SA	Term ended 15/11/17
Dr VF Mahlati	SA	
Dr NS Msomi	SA	Term ended 15/11/17
Prof W Viviers	SA	Term ended 15/11/17
Dr MAI Velia	French	Resigned 26/09/17
Ms U Maharaj	SA	Appointed 15/11/17
Mr SK Mpungose	SA	Appointed 15/11/17
Mr M Ngcobo	SA	Appointed 15/11/17
Mr ZC Ngidi	SA	Appointed 15/11/17
Mr K Shandu	SA	Appointed 15/11/17
Mr S Naidoo	SA	Appointed 15/11/17
Mr B Dlamini	SA	Appointed 15/11/17

# 18 BOARD'S REPORT

## 8. Secretary

The secretary of the entity is Ms NNC Gumbi.

## Business address

Trade & Investment House  
1 Arundel Close  
Kingsmead Office Park  
Durban, 4000

## Postal address

Trade & Investment KwaZulu-Natal  
PO Box 4245  
Durban, 4000

## 9. Corporate Governance

### General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Members of the Board support the highest standards of corporate governance and the ongoing development of best practice.

The Board monitors the entity's compliance with good corporate governance practices as recommended by the King IV Report on Corporate Governance for South Africa on an ongoing basis.

The salient features of the entity's adoption of the Code are outlined below:

### Members of the Board

The Board:

- Retains full control over the entity, its plans and strategy;
- Acknowledges its responsibilities regarding the review of the entity's strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication, both internally and externally, by the entity;
- Is of a unitary structure comprising:
  - Non-executive directors, all of whom are independent directors as defined in the Code; and
  - Executive Director (CEO - Ex Officio).

### Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director as defined by the PFMA, TIKZN Act and the King IV Report on Corporate Governance for South Africa.

The roles of the Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

The contract for the Chief Executive Officer ended at the end of February 2018 and an Acting Chief Executive Officer was appointed by the Board.

### Remuneration

The upper limits of the remuneration of the Executive

Managers of the entity, are determined by the Human Resources Committee in consultation with the Members of the Board.

### Board meetings

Seven (7) Board meetings were held during the year, one (1) strategy meeting and two (2) special Board meetings. The Board is scheduled to meet at least four (4) times per annum.

Non-executive directors have access to all members of management of the entity.

### Audit Committee

The Chairperson for the Audit Committee for the period ended in 31 March 2018 was Ms LCZ Cele who is an independent Member of the Board. The Committee met four (4) times during the period under review.

The Board is satisfied that the Audit Committee was properly constituted and executed its responsibility as expected of its in terms of the King IV Report on Corporate Governance for South Africa and the PFMA.

### Internal audit

The entity appointed a new Internal Audit Service Provider effective 23 January 2018.

### 10. Bankers

The Standard Bank of South Africa Limited.

### 11. Auditors

The Auditor-General of South Africa will continue as the external auditors of the entity in the ensuing year.

## 19 COMPANY SECRETARY'S CERTIFICATION

### Declaration by the Company Secretary

Trade & Investment KwaZulu-Natal has been operating as a Provincial Public Entity for the period ended 31 March 2018. The Annual Financial Statements were prepared on the basis of Generally Recognised Accounting Practice since 01 October 2012.



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**Ms NNC Gumbi**  
**Company Secretary**

# 20 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017	
<b>Assets</b>				
<b>Current assets</b>				
Receivables from exchange transactions	4	1 515 958	3 664 534	<b>Restated</b>
Cash and cash equivalents	5	44 181 873	39 484 779	
		45 697 831	43 149 313	
<b>Non-current assets</b>				
Property, plant and equipment	2	9 354 037	853 102	
Intangible assets	3	115 895	-	
		<b>9 469 932</b>	<b>853 102</b>	
<b>Total Assets</b>		<b>55 167 763</b>	<b>44 002 415</b>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Finance lease obligation	6	106 054	130 243	<b>Restated</b>
Payables from exchange transactions	7	10 009 161	10 192 700	
Unspent conditional grants and receipts	8	18 887 308	17 937 042	
Provisions	27	-	2 021 574	
		<b>29 002 523</b>	<b>30 281 559</b>	
<b>Non-current liabilities</b>				
Finance lease obligation	6	<b>11 379</b>	107 783	
<b>Total Liabilities</b>		<b>29 013 902</b>	<b>30 389 342</b>	
<b>Net Assets</b>		<b>26 153 861</b>	<b>13 613 073</b>	
Accumulated surplus		26 153 861	13 613 073	<b>Restated</b>



## 21 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
Other income	28	104 589	166 327
Interest received - investment	12	424 531	813 865
Government grants and subsidies	9	94 804 585	85 255 603
<b>Total revenue</b>	9	<b>95 333 705</b>	<b>86 235 795</b>
<b>Expenditure</b>			
Employee-related costs	11	(39 183 157)	(41 592 052)
Depreciation and amortisation		(981 423)	(536 042)
Finance costs	13	(32 874)	(47 103)
Bad debts written-off	34	(170 430)	-
Repairs and maintenance	36	(731 818)	(242 404)
Other operating expenses	10	(41 691 717)	(37 281 932)
<b>Total expenditure</b>		<b>(82 791 419)</b>	<b>(79 699 533)</b>
Loss on disposal of assets		(1 498)	-
<b>Surplus for the year ended 31 March 2018</b>		<b>12 540 788</b>	<b>6 536 262</b>

Restated

Restated

## 22 STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

	Note(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		7 105 518	7 105 518
Adjustments			
Prior year adjustments	35	(28 707)	(28 707)
<b>Balance at 01 April 2016 as restated*</b>		<b>7 076 811</b>	<b>7 076 811</b>
Changes in net assets			-
Surplus for the year		6 683 826	6 683 826
Correction of prior period error	35	(147 564)	(147 564)
Total changes		6 536 262	6 536 262
<b>Balance at 01 April 2017</b>		<b>13 613 073</b>	<b>13 613 073</b>
Changes in net assets			
Surplus for the period		12 540 788	12 540 788
Total changes		12 540 788	12 540 788
<b>Balance at 31 March 2018</b>		<b>26 153 861</b>	<b>26 153 861</b>

# 23 CASH FLOW STATEMENT

Figures in Rand	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies		95 754 850	90 420 000
Interest income		424 531	813 865
Other receipts		104 589	166 327
	5	<b>96 283 970</b>	<b>91 400 192</b>
<b>Payments</b>			
Employee costs	11	(39 352 554)	(41 782 451)
Payments to suppliers		(38 422 456)	(33 820 470)
Finance costs	13	(32 874)	(47 103)
Other payments		(2 037 075)	(1 857 840)
Payment from provisions	27	(2 021 574)	-
		<b>(81 866 533)</b>	<b>(77 507 864)</b>
<b>Net cash flows from operating activities</b>	15	<b>14 417 437</b>	<b>13 892 328</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(9 461 584)	(238 835)
Purchase of other intangible assets	3	(138 168)	-
<b>Net cash flows from investing activities</b>		<b>(9 599 752)</b>	<b>(238 835)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(120 591)	(93 445)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 697 094</b>	<b>13 560 048</b>
Cash and cash equivalents at the beginning of the year		39 484 779	25 924 731
<b>Cash and cash equivalents at the end of the period</b>	5	<b>44 181 873</b>	<b>39 484 779</b>

# 24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Note Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Revenue from exchange transactions						
Other income	-	-	-	104 589	104 589	
Interest received - investment	-	-	-	424 531	424 531	9
<b>Total revenue from exchange transactions</b>	-	-	-	<b>529 120</b>	<b>529 120</b>	
Revenue from non-exchange transactions						
<b>Transfer revenue</b>						
Government grants & subsidies	80 105 000	41 988 374	122 093 374	94 804 585	(27 288 789)	9
<b>Total revenue</b>	80 105 000	41 988 374	122 093 374	95 333 705	(26 759 669)	
<b>Expenditure</b>						
Personnel	(43 588 727)	-	(43 588 727)	(39 183 157)	4 405 570	
Travel and accommodation	(3 510 897)	-	(3 510 897)	(2 996 249)	514 648	33.1
Administration and operational costs	(12 786 649)	-	(12 786 649)	(19 537 090)	(6 750 441)	33.2

Budget on Accrual Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
Consultancy fees	(3 410 317)	(26 888 374)	(30 298 691)	(8 515 137)	21 783 554	33.3
International marketing	(6 763 048)	-	(6 763 048)	(3 020 513)	3 742 535	33.4
Inward missions	(923 982)	(1 000 000)	(1 923 982)	(2 287 965)	(363 983)	33.5
Export development and promotion	(2 044 566)	(3 200 000)	(5 244 566)	(2 885 326)	2 359 240	33.6
Marketing and communication	(6 197 005)	(900 000)	(7 097 005)	(4 365 982)	2 731 023	33.7
Capital costs	(879 809)	(10 000 000)	(10 879 809)	(9 599 752)	1 280 057	33.8
<b>Total expenditure</b>	<b>(80 105 000)</b>	<b>(41 988 374)</b>	<b>(122 093 374)</b>	<b>(92 391 171)</b>	<b>29 702 203</b>	
Operating surplus	-	-	-	<b>2 942 534</b>	<b>2 942 534</b>	9
Loss on disposal of assets	-	-	-	(1 498)	(1 498)	
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 941 036</b>	<b>2 941 036</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 941 036</b>	<b>2 941 036</b>	
Reconciliation						
Capital Costs				9 599 752		33.8
<b>Actual Amount in the Statement of Financial Performance</b>				<b>12 540 788</b>		

## 25 ACCOUNTING POLICIES

### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act 29 of 1999) and the Public Management Act (Act No. 1 of 1999) as amended.

#### Accrual basis

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

#### Offsetting

Assets and liabilities, revenue and expenses have not been offset, except where offsetting is required or permitted by GRAP.

#### Comparability

Comparative information represents the results of the 12 months ended 31 March 2018 which were presented on the same basis as the previous year. In the preparation of the Annual Financial Statements, the entity has taken into consideration the guidelines, the list of standards and pronouncements in terms of the GRAP Reporting Framework. There were new relevant standards issued which were not taken into account as the effective date is still to be determined and some to be applied in the 2018/19 financial year.

- GRAP 20 - Related-party disclosure - Effective date 1 April 2019
- GRAP 34 - Separate financial statements - Effective date to be determined
- GRAP 38 - Disclosure of interests in other entities - Effective date - To be determined
- GRAP 108 - Statutory receivables - Effective date 1 April 2019
- IGRAP 19 - Liabilities to pay levies - Effective date 1 April 2019
- Directive 12 - The selection of an appropriate reporting framework by public entities - Effective date 1 April 2018

### 1.1 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;

and

- The cost of the item can be measured reliably.

#### Initial Measurement

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.



#### Subsequent measurement

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful life of all categories of property, plant and equipment are assessed on an annual basis.

The useful lives of items of property, plant and equipment have been assessed as at the period ended 31 March 2018.

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 - 8 years
Office equipment	Straight line	5 - 12 years
IT equipment	Straight line	3 - 6 years
Leasehold improvements	Straight line	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each annual reporting date.

If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimates.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.

The depreciation method applied to an asset is reviewed at least at each reporting date and if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern.

Such a change is accounted for as a change in an accounting estimate.

#### Derecognition

An item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the

difference between the net disposal proceeds, if any, and the carrying amount of the item.

A finance leased asset is depreciated over the shorter of the leased term and its useful life unless there is reasonable certainty that the lessee will obtain ownership of the asset by the end of the lease term, in which case the entity depreciates the asset over its useful life.

In line with the National Treasury Regulations, it is company policy to donate items of computer equipment to identified educational institutions.

#### Leasehold Improvements

Leasehold improvements are defined as permanent improvements constructed or installed on property that is leased under an operating lease or rental agreement. Permanent improvements to lease property are those items that cannot be removed without causing substantial damage to the leased premises, such as built in cabinets, wiring, carpeting, flooring, electricity and the like.

Leasehold improvements are initially recognised at cost.

#### Subsequent Measurement

The leasehold improvements are capitalised and amortised over the remaining life of the lease or the estimated useful life of the improvements.

### 1.2 Intangible Assets

An asset is identified as an intangible asset when it

- Is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability; or
- Arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

#### Initial Recognition

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment loss.

Intangible assets are initially recognised at cost.

#### Measurement

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Amortisation is provided to write-down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

### 1.3 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Initial Recognition and Measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. A concessionary loan is a loan granted to or received by an entity on terms that are not market-related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

#### Derecognition

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable

willing parties in an arm's length transaction.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - Receive cash or another financial asset from another entity; or
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

**Interest rate risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**Liquidity risk** is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

**Currency risk** is that the cashflows of the entity are affected by the fluctuations of the currency which may result in a financial loss to the entity.

**Other price risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The entity designates at fair value at initial recognition; or
- Are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading. A financial instrument is held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Employees costs in advance  
Staff control account  
Deposits  
Other receivables

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

#### Class

Trade payables  
Staff control account  
Accrued expenses  
Long-term finance leases

Financial liabilities and financial assets are initially measured at fair value subsequently at,

- Amortised cost
- Cost depending on their nature

The entity's financial liabilities and financial assets are required to be amortised (except for financial leases), these were not amortised due to the following reasons:

#### Other Receivables

Other receivables include a combination of deposits for

rentals, municipal rates and staff advances. Staff advances were not amortised because they are expected to be received before the end of 2018/19 financial period. The deposit amount is insignificant and therefore was not amortised.

#### Liabilities

Leases - These are included at amortised cost as per the amortisation table.

Trade liabilities - These are expected to be settled within the initial credit period in line with the Government sector norm.

Leave - Leave costs are expected to be settled at fair value.

#### Initial Recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

#### Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

#### Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Impairment and Uncollectibility of Financial Assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through

the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## Derecognition

### Financial Assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - Derecognises the asset; and
  - Recognises separately any rights and obligations created or retained in the transfer.

### Financial Liabilities

The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities

assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the Statement of the Financial Performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the Statement of Financial Performance.

## 1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the entity assesses the classification of each element separately.

### Finance Leases - Lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.5 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the

reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- The proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- The proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- An entity's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within 12 months after the end of the period in which the employees render the related service.

#### Post-employment Benefits: Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### 1.6 Provisions and Contingencies

Provisions are recognised when:

- The entity has a present obligation as a result of a past

event;

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow

of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

### 1.7 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method. Investment income comprises interest from deposits placed with a reputable financial institution.

### 1.8 Translation of Foreign Currencies Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets.

When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.9 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance for the period concerned after the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently

accounted for as revenue in the Statement of Financial Performance.

### 1.10 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) This Act; or
- (b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) Any provincial legislation providing for procurement procedures in that Provincial Government.

National Treasury practice note no. 4 of 2008/09 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 01 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required, with the exception of updating the note to the Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

No further action is required, with the exception of updating the note to the Financial Statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the Financial Statements must be updated with the amount condoned.

### 1.11 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The entity has the following Conditional Grants:

- Technical Assistance Fund (TAF)
- Industrial Symbiosis
- One-Stop-Shop
- Youth in Manufacturing Sector-Focused
- Tourism Fund
- Business Rescue Fund

### 1.12 Budget Information

An entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.



General purpose financial reporting by an entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018.

The Annual Financial Statements and the budget are on the same basis of accounting. Therefore, a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

### 1.13 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Related parties are disclosed in terms of GRAP 20.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the Annual Financial Statements, if both the following criteria are met:

- Contracts should be non-cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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Figures in Rand

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## 2. Property, Plant and Equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation & accumulated impairment	Carrying value
Furniture and fixtures	1 600 580	(836 234)	764 346	991 416	(792 559)	198 857
Office equipment	957 610	(712 216)	245 394	874 423	(552 026)	322 397
IT equipment	1 987 217	(1 576 411)	410 806	1 857 431	(1 525 583)	331 848
Leasehold improvements	8 429 334	(495 843)	7 933 491	-	-	-
<b>Total</b>	<b>12 974 741</b>	<b>(3 620 704)</b>	<b>9 354 037</b>	<b>3 723 270</b>	<b>(2 870 168)</b>	<b>853 102</b>

### Reconciliation of property, plant and equipment - 31 March 2018

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	198 857	660 359	-	(94 870)	764 346
Office equipment	322 397	87 838	-	(164 841)	245 394
IT equipment	331 848	284 053	(1 498)	(203 597)	410 806
Leasehold improvements	-	8 429 334	-	(495 843)	7 933 491
	853 102	9 461 584	(1 498)	(959 151)	9 354 037

### Reconciliation of property, plant and equipment - 31 March 2017

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	250 156	55 377	(106 676)	198 857
Office equipment	445 072	35 253	(157 928)	322 397
IT equipment	423 026	180 259	(271 437)	331 848
	<b>1 118 254</b>	<b>270 889</b>	<b>(536 041)</b>	<b>853 102</b>

The entity assessed the useful lives of assets currently in use at the end of the 2017/18 financial year. These assets included some items which were taken over by TIKZN from Transnet in 2007 and are now fully depreciated. At the end of 2017, the entity undertook an exercise to assess the useful lives of assets written-off which were mainly furniture and office equipment. The value of the furniture and fittings was estimated at R50 996 and R52 560 for office equipment. Management took a decision not to revise the fixed asset register with new estimated values as these were regarded as insignificant. At the end of the 2017/18 financial year, the entity considered the assessment of useful lives of assets in use and took the following into account;

- That the entity underwent a refurbishment exercise which required that new furniture be purchased for the One-Stop-Shop, as well as for existing TIKZN offices.
- That the offices had been reduced in size and therefore some furniture, such as desks would be altered for them to fit the new spaces and some of them would no longer be required.
- That the majority of the items of furniture and fittings that were at hand at the end of 2017 would be disposed of thereby reducing the number and value of assets written-off which are still in use at the end of the 2017/18 financial year.
- For this reason Management did not change the useful lives of assets still in use as the benefit of undertaking the exercise would not be justifiable based on the number of items and the estimated value.

**Table A** depicts classes and total value of assets that were bought from the previous tenant in 2008. Most of these assets were taken into the books at low values and have since reached the end of their economic lives and are fully depreciated.

**Table B** depicts leased assets that were acquired through a finance lease arrangement and are depreciated over three years, being the shorter of the useful life and leased term in accordance with GRAP 13.

**Table C** depicts values of assets to be donated in the 2018/19 financial year. This is in line with the Treasury Regulations directive which requires that such items should be donated to identified educational institutions.

The entity effected improvements to the leased building during the course of the financial year in order to accommodate the One-Stop-Shop. These improvements meet the definition of Leasehold Improvements and were, therefore, capitalised. The Leasehold Improvements amounted to R8 429 334. These are amortised on the shorter of the useful lives of the improvements and the lease term. At the time the improvements were completed, the entity had four years and three months remaining on the lease.

**Table A - Historical Value of Fully Depreciated Assets Still in Use.**

Relates to items of PPE	1 076 719	1 123 438
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**Table B - Value of Leased Assets**

Xerox W7855 Multi-Functional Copier - 391 407 8694	28 529	64 558
Xerox W7855 Multi-Functional Copier - 391 955 3730	28 529	64 558
Xerox W7855 Multi-Functional Copier - 391 955 2823	28 529	64 558
Xerox W6655i Multi-Functional Copier - 315 955 3174	25 121	31 528
	<b>110 708</b>	<b>225 202</b>

**Table C - Value of Assets to be Donated**

Related to items of PPE	845 824	764 955
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**Table D - Value of Assets to be Disposed of**

Related to items of PPE	-	27 704
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**Table E - Scrapped Assets for the Period 31 March 2018**

	Cost	Accumulated Depreciation	Carrying Value
Furniture and fixtures	51 196	(51 196)	-
Office equipment	4 651	(4 651)	-
IT equipment	154 267	(154 267)	-
	<b>210 114</b>	<b>(210 114)</b>	-

**Table F - Scrapped Assets for the Period Ended 31 March 2017**

	Cost	Accumulated Depreciation	Carrying Value
Furniture and fixtures	58 326	(58 326)	-
Office equipment	272 363	(272 363)	-
IT equipment	54 506	(54 506)	-
	<b>385 195</b>	<b>(385 195)</b>	-

Figures in Rand

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**3. Intangible Assets**

	2018			2017		
	Cost/ Valuation	Accumulated Amortisation & accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated Amortisation & accumulated impairment	Carrying Value
Computer software, other	1 519 109	(1 403 214)	115 895	1 380 942	(1 380 942)	-

**Reconciliation of intangible assets - 31 March 2018**

	Opening Balance	Additions	Amortisation	Total
Computer software, other	-	138 168	(22 273)	115 895

Some of the entity's intangible assets were fully depreciated as at the end of March 2018. The process of updating the entity's SAP system, as planned, was delayed and will be implemented in the 2018/19 financial year.

The cost associated with the offsite hosting of the software programmes, such as PABX, Windows 365 and SAP Business One proved to be cost-effective in terms of space, upgrading and safety of the information. The entity was able to implement the PABX system and Office Windows 365 during the financial year and the SAP upgrade will be conducted in the 2018/19 financial year.

**4. Receivables from Exchange Transactions**

Travel advances	124 788	167 784
Prepayments	778 125	1 661 684
Deposits	452 310	46 882
Other receivables - main account	160 735	1 788 184
	<b>1 515 958</b>	<b>3 664 534</b>

2018

2017

## 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	3 000	3 000
Standard Bank Account (Main Bank)	36 939 362	29 694 737
Standard Bank Account (TAF)	7 239 511	9 787 042
	<b>44 181 873</b>	<b>39 484 779</b>

### Preliminary, deposits and short-term interest bearing accounts

Opening balance (cash and cash equivalents)	29 697 737	18 348 174
Receipts for the period from Government Grants	95 754 850	84 920 000
Other receipts for the period (interest income, refunds and other income)	499 039	980 192
Payment for the period including transfers	(89 009 263)	(74 550 629)
	<b>36 942 363</b>	<b>29 697 737</b>

### Standard Bank (Technical Assistance Fund)

Opening balance (cash and cash equivalents)	9 787 042	7 576 557
Receipts for the period	-	5 506 988
Payment for the period including transfers	(2 547 531)	(3 296 503)
	<b>7 239 511</b>	<b>9 787 042</b>

A total of five accounts are held with Standard Bank and these are mainly used for the day-to-day transactions of the entity, such as payment for staff salaries, short-term interest-bearing account, deposit account for Durban office rental and Technical Assistance Fund account (TAF). A sum of R405 428 was set aside as a deposit for Durban office rental during the period. However, this guarantee was withdrawn on instruction by EDTEA in March 2018. The rental deposit is now held with the landlord.

### Deposits

Rental guarantee	405 428	405 428
Interest on rental guarantee	146 638	115 490
Transfer to main bank account	(552 066)	-
	<b>-</b>	<b>520 918</b>

Figures in Rand

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**6. Finance Lease Obligation****Minimum lease payments due**

- within one year	114 833	158 273
- in second to fifth year inclusive	12 264	107 783
	127 097	266 056
less: future finance charges	(9 664)	(28 030)
<b>Present value of minimum lease payments</b>	<b>117 433</b>	<b>238 026</b>

**Present value of minimum lease payments due**

- within one year	106 054	130 243
- in second to fifth year inclusive	11 379	107 783
	117 433	238 026
Non-current liabilities	11 379	107 783
Current liabilities	106 054	130 243
	<b>117 433</b>	<b>238 026</b>

The total liability of the entity is in respect of the finance lease agreements with regard to the office automated solutions copiers that are used by the Durban and Gauteng offices.

It is entity policy to lease certain equipment, such as copiers, and all these are treated as finance lease.

The average lease term was three years and the average effective borrowing rate was 8% - 20% (2017:10% - 20%).

Interest rates are linked to prime at the contract date. All leases escalate at 8% p.a and 15%.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

**7. Payables from Exchange Transactions**

Trade payables	3 195 975	2 185 311
Staff claims	24 582	11 832
Accrued expense	3 945 335	5 100 991
Leave liability (provision)	2 725 169	2 894 566
Sundry suppliers	118 100	-
	<b>10 009 161</b>	<b>10 192 700</b>

The following balances were settled within 30 days after the end of the financial year ended 31 March 2018 and 31 March 2017 respectively.

**Accounts settled within 30 days**

Trade payables	3 220 557	2 197 136
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2018

2017

## 8. Unspent Conditional Grants and Receipts

Technical Assistance Fund (TAF)	2 641 511	5 187 042
Industrial symbiosis	349 138	2 750 000
One-Stop-Shop	2 246 809	10 000 000
Youth in manufacturing	3 048 000	-
Business Rescue Fund	4 124 067	-
Tourism Projects Fund	6 477 783	-
	<b>18 887 308</b>	<b>17 937 042</b>

The closing balance of the Unspent Conditional Grant and Receipts at 31 March 2018 are included in the roll-over request submitted to EDTEA, Treasury and the National Department of Tourism.

### Reconciliation - Technical Assistance Fund (TAF)

Opening balance	5 187 042	7 577 355
Additional grant received for TAF	-	3 000 000
Reallocation to One-Stop-Shop conditional grant	-	(2 100 000)
Less: expenses incurred in the period relating to TAF	(2 545 531)	(3 290 313)
	<b>2 641 511</b>	<b>5 187 042</b>

### Reconciliation - Industrial Symbiosis

Opening balances	2 750 000	2 750 000
Less: expenses incurred during the period	(2 400 862)	-
	<b>349 138</b>	<b>2 750 000</b>

### Reconciliation - Malaysian Tour

	-	2 439 099
Reallocation to One-Stop-Shop	-	(700 000)
Reallocation to main revenue account	-	(1 739 099)
	-	-

### Reconciliation - Youth Manufacturing Sector-Focused

Conditional grant received	3 048 000	-
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### Reconciliation - One-Stop-Shop

Opening Balance	10 000 000	-
Conditional grant received	2 000 000	8 000 000
Reallocation from other conditional grants	-	2 800 000
Less: expenses	(9 753 191)	(800 000)
	<b>2 246 809</b>	<b>10 000 000</b>

Figures in Rand

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**Reconciliation - Business Rescue Fund**

Conditional grant received	4 124 067	-
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**Reconciliation - Department of Tourism**

Conditional grant received	6 477 783	-
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**Technical Assistance Fund**

The purpose of the fund is to assist project promoters to prepare and package their projects to the level of quality that will allow them to access funding from the main financial institutions. The fund has proved beneficial as some of the projects funded have moved closer to operational stages and others are already operational. The Technical Assistance Fund was accounted for as a conditional grant in the period ended 31 March 2018.

**Industrial Symbiosis**

A total of R2 750 000 was set aside in 2016/17 for Industrial Symbiosis which is the programme that was identified by the KwaZulu-Natal Provincial Government to assist the province in achieving the alternative energy targets, as well as waste reduction and greenhouse gas emission targets. The entity's appropriation was therefore adjusted by R2,75 million to research and fully develop feasibility and business plans that can be used to attract investors to each particular project.

The amount for the programme was estimated to be R3 050 000 of which R273 349 was for a project study funded directly from the entity's initial appropriation. To date R2,4 million has been incurred towards this project.

**Youth in ICT and manufacturing sector-focused**

A amount of R3 048 000 was received from EDTEA to be channelled towards youth development projects across all sectors.

**One-Stop-Shop**

An amount of R8 000 000 was received in the 2016/17 financial year from the dti and was recognised as a conditional grant to meet obligations related to the set-up of a One-Stop-Shop Investor Centre within the premises of the entity. An additional amount of R2 000 000 was received in 2017/18 as a top-up to complete the facility, as well as meeting costs relating to launching. The One-Stop-Shop will centralise the execution of a number of regulatory compliance and value-added services through a combination of a virtual and physical facility.

It will house the regulatory offices of the Government for investor assistance, such as a help-desk for the Department of Home Affairs, SARS, Visa application and the Department of Trade and Industry. To date, the entity has already spent R9,7 million towards the construction and launching of the facility. This virtual and physical facility was formally launched by former President, Mr JG Zuma in November 2017.

**Business Rescue Fund**

A total amount of R4 124 067 was provided to TIKZN from EDTEA at the end of March 2018. The purpose of this fund is to assist local companies which are in distress and which may end up closing down. This fund will therefore assist affected companies to remain operational and save jobs.

## Tourism Fund

An amount of R6 477 783 was received from the National Department of Tourism as the first payment towards the funding of identified sustainable tourism projects and the co-ordination and facilitation of tourism growth and promotion. The funding will assist in creating a world-class destination that will attract business visitors and other tourists to KwaZulu-Natal as a premier destination for tourism investment. The National Department of Tourism and Trade & Investment KwaZulu-Natal are mandated to identify tourism projects in which to collaborate, so creating conditions that are conducive to sustainable tourism growth and development.

### 9. Revenue

Other income	104 589	166 327
Interest received - investment	424 531	813 865
Government grants and subsidies	94 804 585	85 255 603
	<b>95 333 705</b>	<b>86 235 795</b>

#### The amounts included in revenue arising from exchanges of goods or services are as follows:

Other income	104 589	166 327
Interest received - investment	424 531	813 865
	<b>529 120</b>	<b>980 192</b>

#### The amounts included in revenue arising from non-exchange transactions are as follows:

##### Transfer revenue

Government grants and subsidies - TAF	2 545 531	3 296 504
Government grants - Industrial symbiosis	2 400 863	-
Government grants and subsidies - main	80 105 000	81 155 099
Government grants - One-Stop-Shop	9 753 191	800 000
	<b>94 804 585</b>	<b>85 255 603</b>

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**10. Other Operating Expenses**

Advertising	4 365 982	2 176 435	<b>Restated</b>
Auditors remuneration	923 001	850 439	
Bank charges	41 516	37 246	
Cleaning	258 744	250 775	
Computer expenses	497 851	349 739	
Consulting and professional fees (note 33.3)	8 515 137	7 261 881	
Consumables	112 110	109 397	
Lease rentals on operating lease	5 069 028	4 578 451	
Entertainment	94 267	200 292	
Recruitment costs	86 735	80 492	
Exhibition costs	2 885 326	2 543 987	
Insurance	373 738	362 142	
Conferences and seminars	528 571	359 554	
IT expenses	118 924	1 206 130	
Promotions and sponsorships	2 287 965	2 155 559	
Board emoluments and allowances	2 037 075	1 857 840	
Board training and other costs	74 339	158 786	
Board travel and accommodation	262 666	95 999	
BEE financial assistance	405 427	711 096	
Postage and courier	37 773	71 032	
Printing and stationery	191 698	293 272	
Security for office premises	419 361	402 772	<b>Restated</b>
Staff welfare	259 399	282 125	
Subscriptions and membership fees	2 335 138	2 060 638	
Telephone and fax	1 025 637	1 017 069	
Training	1 001 129	690 291	
Travel - local	2 996 249	2 381 343	
Travel - overseas	3 020 513	3 903 434	
Electricity	567 517	833 716	
Office refurbishment (One-Stop-Shop)	898 901	-	
	<b>41 691 717</b>	<b>37 281 932</b>	<b>Restated</b>

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## 11. Employee Related Costs

Basic	20 836 585	22 011 921
Bonus	2 208 838	1 590 270
Medical aid - company contributions	838 420	819 376
UIF	169 803	204 843
WCA	72 152	90 000
SDL	360 830	332 442
Leave pay provision charge	(169 397)	(190 402)
Pension Fund contributions	5 291 013	5 573 614
PAYE	9 574 913	9 138 414
Termination benefits	-	2 021 574
	<b>39 183 157</b>	<b>41 592 052</b>
Number of employees	44	51

The entity has a Defined Contribution Plan with Alexander Forbes. Employees contribute a minimum of 7,5% and the employer contributes 13,065%. For the period ended 31 March 2018 (31 March 2017) Trade & Investment KwaZulu-Natal made contributions as follows.

### Employee contributions

Pension contributions	4 791 069	5 046 513
Group life and disability	293 995	309 964
Administrations costs	205 949	217 137
	<b>5 291 013</b>	<b>5 573 614</b>

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Trade & Investment KwaZulu-Natal made pension contributions, life cover, disability and other for its Executive Managers for the period ending 31 March 2018.

<b>Executive Managers contributions - 31 March 2018</b>	<b>Pension Contribution</b>	<b>Group Life and Disability</b>	<b>Other</b>	<b>Total</b>
ZA Gwala (term ended 28 Feb 2018)	319 263	19 767	13 847	352 877
NST Matjie	212 399	13 151	9 212	234 762
L Nyamande	212 399	13 151	9 212	234 762
IM Miya	212 399	13 151	9 212	234 762
RN Ngcamu	212 371	13 149	9 211	234 731
LG Bouah	212 399	13 151	9 212	234 762
LBU Sibanyoni (resigned 31 May 2017)	36 875	2 283	1 599	40 757
	<b>1 418 105</b>	<b>87 803</b>	<b>61 505</b>	<b>1 567 413</b>

Trade & Investment KwaZulu-Natal made pension contributions for its Executive Managers for the financial year ending 31 March 2017 as follows;

<b>Executive Managers contributions - 31 March 2017</b>	<b>Pension Contribution</b>	<b>Group Life and Disability</b>	<b>Other</b>	<b>Total</b>
ZA Gwala	327 030	20 248	14 184	361 462
NST Matjie	199 436	12 348	8 650	220 434
L Nyamande	199 436	12 348	8 650	220 434
IM Miya	199 436	12 348	8 650	220 434
RN Ngcamu	199 073	12 326	8 634	220 033
LG Bouah	199 436	12 348	8 650	220 434
LBU Sibanyoni	207 746	12 863	9 011	229 620
	<b>1 531 593</b>	<b>94 829</b>	<b>66 429</b>	<b>1 692 851</b>

## 12. Investment Revenue

Interest revenue

Bank	424 531	813 865
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## 13. Finance Costs

Finance lease costs

32 874	47 103
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#### 14. Auditors' Fees

Fees	923 001	850 439
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#### 15. Cash generated from operations

Surplus	12 540 788	6 536 262	<b>Restated</b>
<b>Adjustments for:</b>			
Depreciation and amortisation	981 423	536 042	
Loss on disposal of assets	1 498	-	
Bad debts written-off	(170 430)	-	
Movements in provisions	(2 021 574)	2 021 574	
<b>Changes in working capital:</b>			
Receivables from exchange transactions	2 319 005	(1 798 010)	<b>Restated</b>
Other receivables from non-exchange transactions	-	(28 707)	<b>Restated</b>
Payables from exchange transactions	(183 539)	1 454 579	<b>Restated</b>
Unspent conditional grants and receipts	950 266	5 170 588	
	<b>14 417 437</b>	<b>13 892 328</b>	

#### 16. Operating Lease

##### Operating leases - as lessee (expense)

##### Minimum lease payments due - lease ended 30 June 2017 and 31 December 2017

- within one year	-	1 490 077
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New lease - effective 01 July 2017 and 01 April 2018.

Operating lease payments represent rentals payable by the entity for office space. Leases are negotiated for an average term of five years. No contingent rent is payable. The table below relates to the lease agreement effective 1 July 2017 to June 2022.

- Within one year	4 783 659	3 646 598
- In second to fifth year inclusive	17 743 928	20 664 058
	<b>22 527 587</b>	<b>24 310 656</b>

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**17. Commitments - Trade & Investment KwaZulu-Natal Main Activities****Approved and Contracted**

Operational

23 896 582

33 559 738

**18. Commitments - Technical Assistance Funds**

In the 2017/18 financial year, TAF projects to the value of R5 822 053 (2016/17 - R3 852 894) were approved, of which R2 545 531 (2016/17 - R3 296 504) was disbursed. The total commitment relating to this fund at the end of the financial year is R3 368 956.

**19. Related Parties****Related party balances****Amounts included in Trade receivable (Trade Payable) regarding related parties**

Richards Bay Industrial Development Zone (RBIDZ)	-	274 070
Department of Economic Development, Tourism and Environmental Affairs (EDTEA)	-	1 103 707
KwaZulu-Natal Tourism Authority (Tourism KZN)	-	260 691

**Related party transactions****Income received from related parties**

Department of Economic Development, Tourism and Environmental Affairs (EDTEA)	80 105 000	82 420 000
Richards Bay Industrial Development Zone (RBIDZ)	107 516	-

**Expenditure transactions with related parties**

Durban Chamber of Commerce and Industry (DCCI)	102 774	102 496
Ithala SOC Limited	25 000	15 000
KwaZulu-Natal Tourism Authority (Tourism KZN)	-	260 691
Richards Bay Industrial Development Zone (RBIDZ)	107 516	99 554
Department of Economic Development, Tourism and Environmental Affairs (EDTEA)	-	1 075 000

### **Department of Economic Development, Tourism and Environmental Affairs (EDTEA)**

EDTEA is the sole shareholder of Trade & Investment KwaZulu-Natal (TIKZN). The entity receives two funds in the form of grants which are conditional on the terms stipulated in the Memorandum of Understanding (MOU) signed with EDTEA. The grants are received for the purpose of supporting the delivery of services as set out in the MOU.

Conditions stipulated in the main grant were met, hence the grant was recognised as revenue. TAF funds were recognised as revenue to the extent that the conditions were met.

### **Durban Chamber of Commerce and Industry (DCCI)**

For part of the year the Chief Financial Officer for Trade & Investment KwaZulu-Natal was a member of the Finance, Investment and Audit, Risk and Compliance Committee of the Durban Chamber of Commerce and Industry.

Expenditure is in respect of membership subscription and sponsorships for events hosted by the Durban Chamber of Commerce and Industry, such as sponsorship towards the Exporter of the Year Awards. Other expenditure related to workshops and conferences that were facilitated by DCCI.

### **Richards Bay Industrial Development Zone (RBIDZ)**

The amount relates to the 50% recovery of costs paid on behalf of RBIDZ for shared services relating to the annual internet subscription for standardised international trade and industry database. The primary objective of the shared database is to firmly maintain and distribute a comprehensive and up-to-date set of data collection that the two entities often need in order to monitor the economy of South Africa. RBIDZ settled the debt at year end.

### **Ithala Development Finance Corporation**

The expenses are in relation to brokerage services offered by Ithala Development Finance Corporation to provide the insurance cover for senior Executive and Non-executive members of the entity. Ithala SOC Limited is a 100%-owned subsidiary of Ithala Development Finance Corporation Limited (IDFC).

### **University of KwaZulu-Natal**

One of the Non-executive Directors of Trade & Investment KwaZulu-Natal was an academic and holds the position of the Lead Researcher at the School of Built Environmental and Development Studies at the University of KwaZulu-Natal Extended Learning.

The term of contract with this Non-executive Director came to an end in November 2017. In addition, the Executive Manager for Corporate Services at Trade & Investment KwaZulu-Natal serves as a Board member of the University of KwaZulu-Natal. The nature of transactions are not preferential to TIKZN as student fees paid are applicable to all individuals.

### **KwaZulu-Natal Tourism Authority (Tourism KwaZulu-Natal)**

Tourism KwaZulu-Natal is a sister entity to Trade & Investment KwaZulu-Natal. Both entities are funded by EDTEA and belong to one cluster. From time to time, the entities enter into MOUs on strategic initiatives.

The prior year expenditure was in respect of expenses incurred in a partnership agreement to collaborate on efforts to boost tourism and identify investment opportunities for the growth of both local and international investment and trade in the Province of KwaZulu-Natal.

### **Key Management Personnel**

Transactions with key management personnel are disclosed in note 20 of the Annual Financial Statements.

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### Other Entities Controlled by EDTEA

Trade & Investment KwaZulu-Natal is a member of a group of entities controlled by EDTEA. The following entities are related to each other as defined in terms of paragraph 10 (b) (i) of GRAP 20 as they are all controlled by EDTEA.

- (1) KZN Tourism Authority
- (2) KZN Liquor Authority
- (3) KZN Sharks Board
- (4) KZN Growth Fund
- (5) Dube TradePort Corporation
- (6) Richards Bay IDZ
- (7) Moses Kotane Institute
- (8) KZN Film Commission
- (9) Ithala Development Finance Corporation
- (10) KZN Ezemvelo Wildlife

### 20. Non-Executive Directors and Executive Directors' Emoluments

Members of the Board of TIKZN were paid directors fees / emoluments for the period ended 31 March 2018 as prescribed by the KwaZulu-Natal Provincial Treasury.

#### Non-executive

#### 31 March 2018

	Emoluments	Travel and Allowances	Total
Ms CM Cronjé (Chairperson)	505 607	16 796	522 403
Ms LCZ Cele (Deputy Chairperson)	390 774	-	390 774
Mr GW Bell	129 415	-	129 415
Mr MA Tarr	97 231	4 342	101 573
Dr JJ Van Zyl	6 123	-	6 123
Mr CS Gina	173 486	1 207	174 693
Cllr DCP Mazibuko	50 256	1 775	52 031
Dr VF Mahlali	78 074	-	78 074
Dr NS Msomi	60 097	-	60 097
Prof W Viviers	63 903	1 507	65 410
Dr MAI Velia	64 100	-	64 100
Ms U Maharaj	76 565	4 235	80 800
Mr SK Mpungose	56 884	-	56 884
Mr M Ngcobo	55 997	-	55 997
Mr ZC Ngidi	36 315	2 868	39 183
Mr K Shandu	56 884	-	56 884
Mr S Naidoo	56 884	-	56 884
Mr BD Dlamini	43 237	2 513	45 750
	<b>2 001 832</b>	<b>35 243</b>	<b>2 037 075</b>

31 March 2017

	Emoluments	Travel and Allowances	Total
Ms CM Cronjé (Chairperson)	499 125	2 187	501 312
Ms LCZ Cele (Deputy Chairperson)	351 954	1 119	353 073
Mr GW Bell	109 382	-	109 382
Mr MA Tarr	148 746	7 503	156 249
Dr JJ Van Zyl	36 741	-	36 741
Mr CS Gina	136 922	6 800	143 722
Cllr DCP Mazibuko	91 327	7 269	98 596
Dr VF Mahlali	112 092	-	112 092
Dr NS Msomi	111 009	1 119	112 128
Prof W Viviers	100 680	2 599	103 279
Dr MAI Velia	130 147	1 119	131 266
	<b>1 828 125</b>	<b>29 715</b>	<b>1 857 840</b>

Executive managers remuneration is on a Total Cost to Company and includes travel allowances and medical contributions. The Chief Executive Officer's benefits include salary and leave pay.

The Total Cost to Company including performance bonuses were as follows

Executive Members - 31 March 2018	Salary and Leave Pay Benefits	Medical Aid	Travel and Allowances	Performance Bonus	Total
ZA Gwala - CEO (contract ended on 28 Feb 2018)	2 728 735	74 370	113 726	328 096	3 244 927
L Nyamande - CFO	1 578 320	-	21 253	171 502	1 771 075
NST Matjie	1 565 702	-	108 459	171 502	1 845 663
LBU Sibanyoni (resigned on 31 May 2017)	2 321 058	-	17 385	-	2 338 443
RN Ngcamu	1 446 385	62 724	175 283	171 480	1 855 872
LG Bouah	1 622 429	61 377	58 190	171 502	1 913 498
IM Miya	1 543 684	64 017	17 459	171 502	1 796 662
	<b>12 806 313</b>	<b>262 488</b>	<b>511 755</b>	<b>1 185 584</b>	<b>14 766 140</b>

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**Executive Members - 31 March 2017**

	Salary	Medical Aid	Travel and Allowances	Performance Bonus	Total
ZA Gwala - CEO	2 298 060	77 907	191 627	265 307	2 832 901
L Nyamande - CFO	1 510 505	-	22 015	107 863	1 640 383
NST Matjie	1 467 579	-	107 093	134 829	1 709 501
LBU Sibanyoni	1 444 317	-	127 585	84 268	1 656 170
RN Ngcamu	1 326 655	56 507	148 946	-	1 532 108
LG Bouah	1 449 956	59 623	93 753	134 829	1 738 161
IM Miya	1 443 795	65 784	3 146	134 829	1 647 554
	<b>10 940 867</b>	<b>259 821</b>	<b>694 165</b>	<b>861 925</b>	<b>12 756 778</b>

**21. Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure	14 339	14 573
Condoned by Board	-	(14 573)
	<b>14 339</b>	<b>-</b>

An amount of R14 339 was reported as Fruitless and Wasteful Expenditure in the period ended 31 March 2018. This expenditure related to flight bookings that were missed due to circumstances that were beyond the traveller's control.

Prior year Fruitless and Wasteful Expenditure was written-off after it was brought to the attention of the Board and the Board agreed that the expenditure could be written-off as irrecoverable as circumstances under which the expenditure was incurred could not be avoided.

**22. Irregular expenditure**

Opening balance	-	4 531
Irregular expenditure incurred	275 967	-
Irregular expenditure condoned	-	(4 531)
	<b>275 967</b>	<b>-</b>

This relates to expenditure which was incurred during the financial year for service providers contracted to provide training to TIKZN staff members. This process was regarded as flawed. The staff member implicated was disciplined and she eventually resigned.

The matter has been reported to the South African Police Services (SAPS) as required by the Treasury Regulations. This information has also been submitted to Treasury, EDTEA and the Executive Authority, as required by the applicable legislation. The investigations are still ongoing.

## 23. Budget Differences

### Material differences between budget and actual amounts

There are differences between budget and actual expenditure in some of the expenditure categories. These are mainly due to changes in prices and activities, as well as foreign exchange differences. The changes were mainly noted in the following items: international travel, consultancy fees and subscriptions.

### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting basis differ. The Annual Financial Statements for the entity are prepared on the accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. Details of the differences between actuals and approved budget are indicated in the Statement of Comparisons of Budget and Actual Amounts. Detailed explanations have been included under note 33.

### Changes from the approved budget to the final budget

The changes between the approved budget appropriation for 2017/18 resulted from the approved utilisation of the 2016/17 surplus funds. Provincial Treasury approved R12,0 million of the retained surpluses for the entity to provide technical support for business propositions and funding for requests for small businesses to enhance KwaZulu-Natal export information portal and export promotion, implementation of the One-Stop-Shop and re-configuration of the workspace, as well as other set-up costs, and allocation for sector studies and development of business plans.

Period ended 31 March 2018	Total Budget	Final Budget (Adjusted Budget)	Actual Expenditure
Trade & Investment KwaZulu-Natal - Public Entity	80 105 000	122 093 374	82 791 419
<hr/>			
Period ending 31 March 2017	Total Budget	Final Budget (Adjusted Budget)	Actual Expenditure (Restated)
Trade & Investment KwaZulu-Natal - Public Entity	82 420 000	91 820 000	79 669 533
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## 24. Financial Statements Preparation

Trade & Investment KwaZulu-Natal commenced operations as a Schedule 3C Public Entity on 01 October 2012. As a public entity listed under Schedule 3C of the PFMA, TIKZN is required to report on the basis of GRAP. The Annual Financial Statements for the period ended 31 March 2018 were therefore prepared on this basis.

## 25. Contingent Liability

### Contingent Liability

Contingent liability from rental guarantee	-	405 428
Contingent liability from retained surplus and roll-over funds	14 148 389	-
	<b>14 148 389</b>	<b>405 428</b>



Figures in Rand

2018

2017

### Contingent Liability from Rental Guarantee

The entity held a guaranteed rental deposit with Standard Bank of South Africa to the maximum amount of R405 428 in favour of Crescendo Management Services (Pty) Ltd. The guarantee was cancelled at year end on instruction by EDTEA, the rental deposit is now held with the landlord. The entity has not defaulted on its rental payment during the term of the guarantee.

### Contingent Liability from the Retained Surplus and Roll-over Funds

An amount of R14 148 389 is disclosed as a Contingent Liability in line with GRAP 19 and Treasury Regulations, which require that any surpluses must be approved by relevant Treasury. The entity has requested for a roll-over of this surplus from KwaZulu-Natal Provincial Treasury.

## 26. Reporting Period

The reporting period of the entity is for 12 months ended 31 March 2018.

## 27. Provisions

### Reconciliation of provisions - 2018

	Opening Balance	Utilised During the Year	Total
Employee benefit cost	2 021 574	(2 021 574)	-

An amount of R2 021 574 was accounted for as a Provision in terms of GRAP 19. This relates to a payment made to a former Executive Manager as part of a Separation Agreement. The payment was made in June 2017.

## 28. Other Revenue

Other income	104 589	166 327
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Other income comprises refunds from suppliers, cellphone sales and a mandatory grant received from SETA.

## 29. Going Concern

The entity had an accumulated surplus of R26 153 861 for the period ended 31 March 2018 (31 March 2017, R13 789 344). The entity's total assets exceeded its total liabilities by R26 153 861 for the period ended 31 March 2018 (31 March 2017, R13 789 344). The Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. To date the KwaZulu-Natal Treasury has committed to providing funding for the 2018/19 financial year in terms of the Medium-Term Expenditure Framework (MTEF).

## 30. Events After the Reporting Date

Events after the reporting date are classified into two categories, adjusting and non-adjusting.

### Adjusting

There were no adjusting events reported for the period ended 31 March 2018.

The prior year adjustment relates to an amount paid to a former Executive Manager

### Non-adjusting

These will be events that have taken place after the reporting date, but before the Annual Financial Statements were issued. There are no events to report.

### 31. Financial Instruments

#### 31 March 2018 - Total Financial Assets

	1 year or less	1 to 5 years	Total
TAF cash and cash equivalents	7 239 511	-	7 239 511
TIKZN cash and cash equivalents	36 942 362	-	36 942 362
Receivables	1 515 968	-	1 515 968
	<b>45 697 841</b>	<b>-</b>	<b>45 697 841</b>

#### 31 March 2018 - Total Liabilities

	1 year or less	1 to 5 years	Total
Accruals and payables	10 009 161	-	10 009 161
Finance lease liability	106 054	11 378	117 432
	<b>10 115 215</b>	<b>11 378</b>	<b>10 126 593</b>

#### 31 March 2017 - Total Assets

	1 year or less (Restated)	1 to 5 years	Total
TAF cash and cash equivalents	9 787 042	-	9 787 042
TIKZN cash and cash equivalents	29 697 737	-	29 697 737
Receivables	3 664 534	-	3 664 534
	<b>43 149 313</b>	<b>-</b>	<b>43 149 313</b>

#### 31 March 2017 - Total Liabilities

	1 year or less (Restated)	1 to 5 years	Total
Accruals and payables	10 192 700	-	10 192 700
Finance lease liability	130 243	107 783	238 026
Provisions	2 021 574	-	2 021 574
	<b>12 344 517</b>	<b>107 783</b>	<b>12 452 300</b>

#### Credit Risk

The entity does not have a huge debtors book, as a result, its exposure to credit risk is minimal. The items indicated under trade and other receivables refer to subscriptions and rental prepayments in the operating leases for the Durban and Gauteng offices and advance payments for employees for travelling costs. The cash and cash equivalents are deposits which are placed with highly reputable financial institutions. The deposits comprise grants received from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and these grants are deposited as drawdowns every quarter. The entity limits its exposure by dealing with well-established financial institutions.

#### Liquidity Risk

The entity's exposure to liquidity risk is very minimal as it is 100% funded by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The annual budgets are approved at the beginning of each fiscal year and drawdowns are requested on a monthly basis. Cashflows are monitored monthly and against budgets and adjustments are made where necessary. Risk management assessments are conducted bi-annually to assist with identifying any possible cashflows, liquidity or other risks.

Figures in Rand

2018

2017

### Interest Rate Risk

Although the entity's funds are subject to interest rate risk, these funds are placed with reputable financial institutions. The entity does not hedge any of its funds but monitors the fluctuations in interest rates and obtains advice from bank officials on a regular basis. Although the Rand has fluctuated in the recent months, the risks arising out of the decline in the Rand have not been passed onto the entity.

### Currency Risk

Although the entity's funds that are placed with financial institutions may be subject to currency risk, this does not affect the cashflows of the entity as the majority of its liabilities are Rand-denominated.

## 32. Reconciliation of Amounts in Terms of GRAP 24

### Period ended 31 March 2018

	Operating Activities	Financing Activities	Investing Activities	Total
Actual amount on comparable basis in the budget and actual comparative statement	14 417 437	(120 591)	(9 599 752)	4 697 094

### Period ended 31 March 2017

	Operating Activities	Financing Activities	Investing Activities	Total
Actual amount on comparable basis in the budget and actual comparative statement	13 892 328	(93 445)	(238 835)	13 560 048

## 33. Actual Operating Expenditure Versus Budget Operating Expenditure

### 33.1. Travel and Accommodation

86% of the total budget for Travel and Accommodation was under-spent as at 31 March 2018. The savings were expected as result of the entity's efforts to comply with cost-cutting measures. Travel and related activities were undertaken in a manner that would reduce the costs.

### 33.2. Administration and Operational Costs

The administration and operational costs for the period ended 31 March 2018 were overspent mainly due to increased operational activities that were carried out in the last quarter of the financial year. Consideration should also be given to the fact that this category of expenditure includes depreciation and leave costs which are non-cash items. It was noted that administration and operational costs increased during the period towards the finalisation of the One-Stop-Shop due to higher repairs and maintenance costs and increased costs relating to items purchased for the new facility. The increase in this budget was noted from the third quarter when the One-Stop-Shop was established.

An amount of R10 000 000 was set aside from the approved roll-over surplus to set-up the One-Stop-Shop which will house the representatives of various regulatory bodies and government agencies, such as SARS, CIPC, and others. They will work together with the investment promotion, facilitation and aftercare sector units within the entity. They will provide invaluable support by advising investors, co-ordinating with other departments, and also reducing the red tape that slows down the processes of investors seeking to set-up and commence business in KwaZulu-Natal. The construction of the One-Stop-Shop has been completed and a total amount of R9 753 191 was recorded as spent at the end of the 2018 financial year.

### 33.3. Consultancy fees

The total budget for consultancy fees was under-spent for the period ended 31 March 2018. The main reason is that there are a number of projects still underway, many of which have not yet commenced and are expected to be completed in the next financial year. These include SMME Boost Programme, Disinvestment Analysis and others. In addition, the entity relied on internal skills to drive some of the programmes instead of using consultants.

In order to comply with the applicable GRAP statement on Presentation of Financial Statements which require that expenditure items must be reported by nature and not function, a number of conditional grants have therefore been included under Consultancy Fees.

The increase in this expenditure from the prior year is due to the increase in the number of conditional grants being managed by the entity which are reported in this category.

The items reported under this category are included below;

**(a) Industrial Symbiosis**

A total of R2 750 000 was budgeted for the Industrial Symbiosis which was meant to commence in the 2016/17 financial year. The project was delayed, mainly due to the fact that there were challenges regarding procurement as the concept was fairly new and there are not many companies who have expertise in the field.

This project was spear-headed by the Provincial Government to assist the province in achieving alternative energy targets, as well as waste reduction and greenhouse gas emission targets. To date the entity has spent R2 400 862.

The funds were mainly for research, developing of feasibility studies and business plans that can be used to attract investors to each particular project. The total amount for the programme was estimated to be R3 050 000 of which R273 349 was funded directly from the entity's budget.

**(b) Technical Assistance Fund (TAF)**

A total amount of R2 545 531 was disbursed during the period ended 31 March 2018 and a total amount of R3 368 956 was committed including the balance of costs not yet settled. The TAF budget was adjusted by R3 500 000 from the approved surplus funds by EDTEA in order to meet the demand of the fund.

**(c) Youth in ICT and Manufacturing**

An amount of R3 048 000 was provided to TIKZN by EDTEA with the purpose of assisting youth projects in ICT and manufacturing. The fund was not utilised pending the finalisation of a MOU with EDTEA.

**(d) Business Rescue Fund**

An amount of R4 124 067 which was provided to TIKZN at the end of March 2018. The purpose of this fund is to assist local companies which are in distress which may end up closing.

This is to ensure that they can remain operational and to save jobs.

**(e) National Department of Tourism.**

The total budget appropriation for the entity was adjusted by R6 477 783 at year end from funding received from the National Department of Tourism. The main purpose of the fund is to identify sustainable tourism projects with the objective of creating a world-class destination that will attract business investment to ensure tourism growth in the Province of KwaZulu-Natal.

No expenditure was incurred as the funding was received at year end.

**33.4. International Marketing**

44% of the International Marketing budget was spent as at year end. This is mainly due to the implementation of the instructions as per a circular on cost-cutting measures, which required that all international trips are approved by the MEC.

The approval of all planned initiatives for the year was received towards the end of the second quarter resulting in some of the international marketing initiatives being cancelled and others deferred to the next financial period.

**33.5. Inward Missions**

The budget for inward missions was over-spent at the end of the period 31 March 2018. There was an increased number of inward mission initiatives during the first two quarters of the financial year. These included the hosting of international delegations which participated at the World Economic Forum earlier in the financial year.

**33.6. Export Development and Promotion**

Some export initiatives could not be carried out in the financial year ended 31 March 2018 due to delays in obtaining necessary approval. As a result, they have been deferred to the 2018/19 financial year.

Figures in Rand

2018

2017

### 33.7. Marketing and Communication

The marketing budget was under-spent, particularly during the first two quarters of the financial year. This was due to the moratorium on events and other related marketing activities. Some of the planned local marketing initiatives were cancelled and some were deferred to the 2018/19 financial year. The expenditure mainly relates to printing of the annual reports, publications and other marketing materials used during the World Economic Forum.

### 33.8. Capital Costs Budget

The capital costs budget was over-spent in the period ended 31 March 2018. The costs were used by the entity to complete the construction of the One-Stop-Shop facility, which in the process contributed to the interior improvement of the leasehold property to the value of R8 429 334. In addition, new furniture and computer-related items were acquired for the facility.

### 34. Bad Debts Written-off

An amount R170 430 was owed by a company called GW Soft which had been hired to host the TIKZN Website and Sharepoint services. The service provider later indicated that it could no longer host both services, but would be able to continue hosting the website. An agreement was reached whereby it would continue providing website hosting for a longer period in order to compensate for their failure to host the Sharepoint services as initially agreed. The service provider later indicated it was not going to be able to proceed with the additional website services as agreed. TIKZN requested the service provider to refund the amount paid to them. Initially there was a communication with the service provider in which it indicated its commitment to refund the amount owed. However, from August 2017 it ceased responding to management's correspondence and it was later communicated that it had relocated to Canada. For this reason Management felt that the chance of recovering the amount was minimal and, therefore, requested permission to write-off the total amount.

### 35. Prior Period Error

The following prior period error adjustments were made by the entity;

#### (a) Receivables from Exchange Transactions

TIKZN was requested to assist with travel and accommodation services for the east3ROUTE project in the 2015/16 financial year. An amount of R28, 707 was erroneously recorded as a debtor when it had actually been refunded. The amount has been disclosed as a prior period error in the Annual Financial Statements.

#### (b) Other Operating Expenses

Advertising - Prior year other operating expenses were understated by an amount of R114 000 related to advertising costs. The understatement resulted from the stakeholders networking event which was facilitated by the entity in partnership with East Coast Radio. Management brought this to the attention of the auditors after it was discovered that the services had not been invoiced in 2017/18. Management felt it was necessary to make a necessary adjustment as the service was carried out in the prior year and the service provider did not invoice until the beginning of the financial year 2018/19 and after the Annual Financial Statements were submitted for auditing.

Security for office premises - The adjustment in the prior year is in respect of Elton Collar Security Services, the company which provides security services for the entity's Durban administration offices. Management established that the March 2018 security expenses were not accrued for in the prior year and was incorrectly accounted for in the current financial period.

#### Prior period error adjustment - The effect of the prior period adjustment is as follows:

Decrease in accounts receivables (2015/16)	-	(28 707)
Decrease in opening balance of Accumulated Surplus (2016/17)	-	28 707
	-	-

2018

2017

**Correction of error - The effect of the correction of error in restated 2017 Other Operating Expenses is as follows:**

Advertising	-	114 000
Security for office premises	-	33 564
Increase in accruals	-	(147 564)
	-	-

**36. Repairs and Maintenance**

Repairs and maintenance to property	731 818	242 404
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The entity incurred costs of R731 818 during the period ended 31 March 2018, R242 404 (March 2017) relating to the internal maintenance of its administration offices.









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